

2/5/79 [1]

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THE PRESIDENT'S SCHEDULE

Monday - February 5, 1979

8:00 Dr. Zbigniew Brzezinski - The Oval Office.

8:30 Mr. Frank Moore - The Oval Office.

9:00 Cabinet Meeting. (Mr. Jack Watson).
(2 hrs.) The Cabinet Room.

11:00 Mr. Jody Powell - The Oval Office.

12:00 Lunch with Vice President Walter F. Mondale.
(60 min.) The Oval Office.

1:30 Meeting with the Board of Directors and
(20 min.) Officers of the National Association of State
Departments of Agriculture. (Mr. Stuart
Eizenstat) - The Cabinet Room.

2:15 Mr. Robert Templeton - The Oval Office.
(30 min.)

THE WHITE HOUSE
WASHINGTON

2/5/79

jane simpson --
90-8013

we probably need to establish
an 'editorial cartoon' file
which contains the original
cartoons, cross-referenced by
name, etc., within computer/
stripping desk.

please have someone check with
connie gerrard to find out
where the other editorial cartoons
are which she had had from
beginning of administration, so
they can be kept in the file too.

thanks--susan clough

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THE WHITE HOUSE
WASHINGTON

February 1, 1979

Susan.
file
Cartoons -
or → archives
J

Susan --

These are the Presidential
thank-you notes for the cartoons
which he wanted from the Camp
David Summit.

Three of the cartoonists requested
autographs from the President (one
on a picture and 2 on copies of
the cartoons that we requested.)

I have attached them directly onto
the President's letter so he can
sign both one after the other.

We do not need these cartoons any
more as I have my file of them and
also copies of the letters, etc.
So they can be disposed of however
the President wants after the letters
are signed, and the files can go
directly to Central Files.

Attached is a list of the cartoonists
in case you need it for anything.

Thanks.

connie g.

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CAMP DAVID CARTOONS

Mr. Paul Conrad
The Los Angeles Times
Times Mirror Square
Los Angeles, California 90053

Sent 1 cartoon requested
plus 2 others

Mr. Jerry Fearing
St. Paul Dispatch
55 East Fourth Street
St. Paul, Minnesota 55101

Sent cartoon requested
plus 7 others

Mr. Dick Locher
Chicago Tribune
435 North Michigan Avenue
Chicago, Illinois 60611

Sent cartoon requested
plus one other

WANTS AUTOGRAPHED PICTURE

Mr. Frank Miller
Des Moines Register
715 Locust Street
Des Moines, Iowa 50304

Sent cartoon requested
plus one other

Mr. Jeff MacNelly
Richmond News Leader
333 East Grace Street
Richmond, Virginia 23213

Sent copies of 2 cartoons
requested plus 2 others

Mr. Douglas Marlette
The Charlotte Observer
Charlotte, North Carolina 28233

Sent cartoon requested
plus one other

Mr. Ray Orsin
Cleveland Plain-Dealer
1801 Superior Avenue
Cleveland, Ohio 44114

Sent cartoon requested
plus 7 others

Mr. Mike Peters
Dayton Daily News
Fourth and Ludlaw Streets
Dayton, Ohio 45401

Sent 3 cartoons requested

Mr. Ed Stein
Rocky Mountain News
400 West Colfax Avenue
Denver, Colorado 80204

Sent cartoon requested
plus one other

Mr. Ben Sargent
The Austin American-Statesman
308 Guadalupe
Austin, Texas 78767

Sent cartoons requested
plus 3 others

Mr. Bill Schorr
Los Angeles Herald-Examiner
1111 South Broadway
Los Angeles, California 90051

Sent cartoons requested
plus one other

Mr. Doug Sneyd
Sneyd Syndicate Inc.
4 Southwood Circle
Orillia, Ontario
Canada L3V 2H8

Sent cartoon requested
plus 7 others

SENT ONE COPY WHICH HE
WANTS AUTOGRAPHED

Mr. David Simpson
Tulsa Tribune
315 South Boulder Avenue
Tulsa, Oklahoma 74102

Sent one requested
plus 3 others

Mr. Francisco Trinidad
Honolulu Star-Bulletin
Post Office Box 3080
Honolulu, Hawaii 96802

Sent one requested
plus 3 others

Mr. Bob Taylor
Dallas Times-Herald
1101 Pacific
Dallas, Texas 75202

Sent two requested

Mr. Richard Wright
Providence Journal
75 Fountain Street
Providence, Rhode Island 02902

Sent cartoon requested

SENT ONE COPY WHICH HE
WANTS AUTOGRAPHED

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SENSITIVE



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

January 17, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Jim McIntyre *Jim*
SUBJECT: Executive Summary: Reorganization Proposals
for 1979

This memorandum summarizes the findings and recommendations of four principal reorganization projects; natural resources; development assistance; commerce, trade and business assistance; and food and agriculture. We recommend significant structural and procedural changes which, together with the Department of Education legislation, would complete our major reorganization program for the remainder of this term.

These items, added to our prior work on energy, civil service, and small reorganization plans, would add up to a bold and visible 1980 reorganization record -- reaching almost all of the domestic Cabinet. In three principal ways, they will improve performance in some of the most confused and fragmented areas of government:

- (1) By cutting overhead at the Federal level and administrative costs at the local level for governors, mayors, and businessmen who must deal with the Federal bureaucracy. *must*
- (2) By permitting us to better target, manage, measure and control limited Federal resources to solve priority problems in natural resources and economic development. *document*
- (3) By simplifying the access of citizens to government benefits and services. *advantages*

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SENSITIVE

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While we have found substantial agreement with the substance of these proposals, they will be controversial. Reorganization issues have already divided the Cabinet. Any major simplification of government affects Committee jurisdictions. Some interest groups will fear that the transferred programs will be less responsive to them. While no special interest group places reorganization near the top of its legislative priorities, some will support your proposals once you decide. As with civil service reform, the constituency for these proposals must be found largely among the general citizenry demanding more efficient government.

Some of your advisors believe that the costs of further major reorganization outweigh any achievable benefits and feel we should rest on our laurels. While I do not minimize the political obstacles, I believe the potential political benefit of the proposed reforms requires that we make a good faith effort to see if a viable political strategy can be constructed to achieve them. *I agree*

The key to this strategy is the use of action-forcing reorganization authority to sharply limit the period of controversy and ensure an early Congressional result. Both the majority and minority leadership of the House Government Operations Committee believe that we can legally use reorganization plans to implement these recommendations. The Department of Justice agrees. The use of reorganization authority will be more controversial in the Senate, with both Ribicoff and Javits questioning its use on plans of this scope.

You have been the only successful Presidential candidate (other than FDR) in this century to make reorganization a central and personal promise. I see no evidence in the polls or election returns that the people have ceased expecting you to shake up and reform the government. In fact the most recent Caddell poll reports that (1) public expectations about reorganization are high and (2) that next to displeasure about inflation and the handling of the economy, this Administration is criticized most for failure to reorganize the government.

Natural Resources

Excessive fragmentation in natural resource agencies and programs causes major problems:

- ° No one official short of you can oversee natural resource policy and planning; set overall policies or priorities; or provide prompt decisions on the

competing demands for preservation and utilization of public lands, waters, and oceans.

- ° Unclear assignment of responsibilities leads to competition among agencies, duplication of skills, and failure to take advantage of economies of scale.
- ° Inconsistent regulations and procedures make the system costly, time-consuming and confusing for natural resource users.

To solve these problems, we propose a Department of Natural Resources (DNR) built on Interior and aggregating the principal natural resource functions. The DNR would be composed of three major units: a public lands agency based on the Forest Service and including the Bureau of Land Management; an oceans agency based on NOAA and including oceans and fisheries functions now in Interior; and a water resource agency combining the Water Resources Council and the policy, planning, and budgeting functions of the three water development agencies (Bureau of Reclamation, Corps of Engineers, and Soil Conservation Service). The Corps would be made the primary construction agent for water resource projects and be strengthened by adding construction personnel from the other two agencies.

DNR would save \$146 million in administrative costs, allow faster and better delivery of services, provide a better data collection and analysis system, and allow better balance in policy and case decisions. Major existing agencies in Interior -- the Bureau of Mines, the Bureau of Reclamation, and the Bureau of Land Management -- would be consolidated or phased out over time.

The DNR would broaden Interior into a national department with a blend of land and water responsibilities spanning our continent and oceans. The Secretary of DNR would have the geographic and programmatic scope to develop plans for the conservation and use of natural resources that are sensitive to the interrelationships among our oceans, public lands, and inland waters.

DNR has significant support among key environmental and conservation groups. The constituency which supported you in the water projects fight should support the water policy reforms proposed here. Water project advocates will probably oppose. The ocean community is split, with fisheries groups generally opposed and key user groups (oil, mining) generally supportive. The NOAA constituency as a whole prefers an

independent oceans agency but may support DNR if it contains a clearly strengthened oceans unit. The timber industry is currently postured against reorganization. However, we believe we can win support from much of the industry leadership (except in Alaska and perhaps in the South) if you indicate that the new forest management entity will have a more productivity-oriented mission. The Western governors have not committed themselves; they will be most concerned with the implications of reorganization for water policy. Former Interior Secretaries from both parties (e.g., Udall, Kleppe) will lobby for DNR; however, former Agriculture Secretaries from both parties (e.g., Freeman, Butz) will oppose any diminution of USDA.

In the Congress, DNR has two key supporters -- Jackson and Udall -- each of whom will play an active role. Ribicoff supports and Brooks will support DNR except for the Forest Service transfer, which he will oppose. Although Senator Hollings opposes a transfer of NOAA, Senator Magnuson is keeping an open mind. We may be able to reassure Magnuson and Congressmen Murphy and Breaux in the House through a strengthened oceans agency. The Public Works Committees will probably oppose the water resources recommendation. We hope that assurances that existing projects will be continued and demonstrations of tangible benefits will mute their opposition. Senator Talmadge and Congressman Foley have stated their vigorous opposition to the Forest Service transfer. The Agriculture Committees can be expected to oppose the Soil Conservation Service transfers as well.

Development Assistance

Throughout the campaign, and in your welfare reform proposal and Urban Message, you stressed that efforts to combat poverty, blight and local economic distress must focus on providing long-term jobs and economic opportunities. You also emphasized the need for creative partnerships among the Federal Government, State and local governments, and the private sector to support such local development efforts.

Although numerous Federal programs are available to advance this goal, the organization of these programs significantly limits their effectiveness. Indeed, a few areas of government provide as clear a case of overlap and confusion as this one. The basic tools of development assistance -- public facilities investments, housing, and incentives to businesses to locate in distressed areas -- are severely fragmented and

spread among a number of agencies. As a result, procedures conflict, delivery systems diverge and responsibility is diffused and confused. This, in turn, imposes unnecessary administrative burdens on program users, discourages private sector involvement, creates gaps in geographic coverage, and makes it difficult to package the different tools needed for complex projects, or to evaluate results. To revitalize a blighted area and attract private businesses, local communities frequently have to go to as many as five different Federal agencies and file anywhere from eight to 15 applications to get the assistance that is available. Smaller towns are particularly at a disadvantage in this system, but even large communities suffer because of the extended time, uncertainty, administrative burden, and cost that is involved.

To remedy this situation, we propose pulling together in a Department of Development Assistance a critical core of the tools governors, mayors, local officials, and business leaders need to revitalize their communities and strengthen the local economic base. The DDA will allow coordination and integrated management of Federal development assistance decisions and promote accountability to the President. It will also increase cooperation with State and local governments and the private sector. The DDA would provide one-stop shopping at the local level for Federal public facilities investment, housing, business assistance, and technical assistance aid designed to encourage community upgrading and local economic prosperity. The DDA would significantly simplify the development assistance process, reduce paperwork, permit quicker decisions on complex projects and make more efficient use of Federal personnel now scattered among several different agencies doing much the same things. The DDA would provide a suitable agency home for the National Development Bank, thus increasing its chance for passage. DDA will cost \$43 million less than the current arrangement. A variety of important constituencies support the DDA proposal. The governors have been quite vocal in urging such a reorganization; we expect their active support. Prior to your decision, mayors are reluctant to take sides in a bureaucratic turf fight. In addition, reorganization is not something the mayors rank as a high Administration priority. However, our reading is that many mayors, including opinion leaders like McNichols, Maier, and Rousakis, will support DDA, once you decide to propose it. So long as EDA takes the economic development lead in DDA, key economic development advocates will accept the EDA transfer. Similarly, if the status of housing is maintained in DDA, the housing industry will support the new

department. Minority spokesmen like Mayors Young, Jackson and Hatcher, as well as Vernon Jordan and Carl Holman, prefer the DDA concept but want to be certain that reorganization does not dilute HUD's commitment to cities.

There will be some opposition from "sunbelt" and small town mayors, who perceive HUD, and UDAG in particular, to be oriented toward big and older cities. However, the most important opposition to DDA stems from the FmHA transfers, which trigger routine opposition from traditional supporters of the Agriculture Department. Groups like the Grange, National Farmers Union and National Rural Electric Cooperative Association have signaled opposition to any changes in USDA.

We believe that a strong coalition of supporters exists or can be built in the House and, perhaps, in the Senate. In the House, the coalition includes Congressmen Ashley, Brooks, Reuss, Moorhead, and Bolling. The Senate coalition will be built around Senators Proxmire and probably Muskie and Ribicoff. If we can convince rural members that we are serious about rural program consolidation, we may draw rural development proponents into the coalition. But agricultural partisans (Talmadge, Foley) will oppose. The ultimate position to be taken by Public Works members (Johnson, Roe, Randolph, Burdick) is uncertain. All of them recognize the problems posed by the present fragmentation but they tend to be extremely skeptical of HUD.

Commerce, Trade and Business Assistance

Our review of the trade and business assistance functions throughout the government has uncovered policy and organizational problems that may, among other reforms, require an enhancement of Commerce's role in this area. We are particularly interested in exploring the option of strengthening small business assistance through consolidation with similar programs in the Department of Commerce. After we have tested this and other options with the Congress and interest groups, we will bring you recommendations on how to strengthen trade and business assistance.

Food and Agriculture

Federal policymaking machinery for food issues is outmoded. Neither USDA nor HEW has the capacity to resolve the conflicts in forging a food policy. Conflicts that should be resolved at the departmental level are often escalated to the White House. Because responsibility is fragmented, no one can be held accountable for making sure the system works.

We recommend taking some small but important steps toward enhancing nutrition functions in USDA and toward improving the management and coordination of food and nutrition policy throughout the government. Agriculture will be directed to work on clarifying responsibilities for nutrition programs, organizing the department to reflect its new emphasis, and working out a system to tie promotion of agricultural trade more closely to agricultural production policy.

The Agriculture Committees in the House and Senate may support, as will some consumer and food groups. There may be some objection from consumer groups who feel that the Department of Agriculture will continue to be too responsive to producer interests.

TAB A discusses each proposal in detail, requests your decisions and suggests some next steps.

TAB B is an analysis of interest group politics provided by Dick Pettigrew

TAB C is a compilation of White House and agency comments.

A separate memo on Congressional politics is provided by Frank Moore.



OFFICE OF THE VICE PRESIDENT
WASHINGTON

January 18, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: THE VICE PRESIDENT *mf*
SUBJECT: REORGANIZATION

Yesterday you received OMB's recommendations on the economic development and natural resources reorganizations. This is clearly one of the most difficult domestic decisions you will be asked to make this year. On both the substance and the politics, I am troubled by the combined impacts of the two reorganizations. I am especially concerned about the way the Department of Development Assistance proposal could affect the delivery of services to communities. Stu has given a great deal of thought to this question, and I believe he has uncovered a number of legitimate and deeply troubling problems with the proposal if it were enacted in its present form.

In terms of the politics, I am frankly worried about how the two proposals will be seen if they are both pursued this year. I am concerned that they would be seen as altering the way in which the federal establishment relates to major regions of the country, shifting traditional institutional bonds in a direction which will be seen as most threatening to the South, to the West and to selected groups in the Midwest. Groups that are most likely to line up against the two proposals include (South, Midwest and West), water interests (West, but also the Mississippi Valley in the South and Midwest), and the growing cities of the sunbelt (South and West).

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Memorandum for the President
Re: Reorganization
January 18, 1979
Page 2

I believe that Jack, Anne and Stu intend to share with you the results of a recent telephone survey of leading mayors. I understand city officials have voiced a number of serious reservations about the development assistance plan. Some argue that we should concentrate our efforts on passing welfare reform, the countercyclical aid bill and the National Development Bank, so that we can bring tangible help in a very tight year, without dividing the Congress along regional lines. Others argue that with our new economic development programs we are just now beginning to make progress. They caution against pressing for a major reorganization which could create substantial disruption just when we are making real gains.

Of the two proposals, I believe the Natural Resources reorganization is the most promising. The transfer of NOAA appears to have some support. The Forest Service transfer may also be achievable if it were accompanied by a strong pro-production policy on timber. As you know, Charlie and Stu have urged such a policy to help us on the inflation side as well.

However, I believe we must have a thorough review of the proposed water resources consolidation, perhaps through private conversations with Frank and Stu and key leaders in the House. I am concerned that this component will be seen as anti-West and that it could severely hurt us in important states like Texas, Washington, Oregon and California. Moreover, I believe that it would activate the pro-public works coalition in the Congress. Opponents of the consolidation could charge that the Department of Natural Resources will have little or no incentive to recommend new water projects, but that it will be given a hammerlock over the plans and budget of the construction agency. They could also argue that citizens will be forced to deal with two Cabinet departments in place of one to get a flood control or water storage project built, meaning more bureaucracy, red tape and delay.

As I am sure you know, Majority Leader Jim Wright has always lined up a majority of the House against our water project recommendations. On the heels of your victory last year, I see no reason to set ourselves up for a defeat by Wright.

Memorandum for the President
Re: Reorganization
January 18, 1979
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On the Development Assistance Department, your personal advisors are split on both the substance and the politics. The Cabinet is divided. The mayors are divided. In my judgment, we should not get into a major fight on this issue until we have internal agreement on a solid proposal that we believe would improve the performance of government.

Given these problems, I believe we should begin our economic development reorganization with a modest proposal, such as finding a home for the National Development Bank and attempting a limited program consolidation -- preferably by statute rather than by plan, since new authorizations would be needed to simplify eligibility and planning requirements and ensure that we have integrated field structures.

If we are able to make a successful start through a prudent proposal in 1979, we could then try to build upon that progress next year.

THE WHITE HOUSE

WASHINGTON

January 19, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *fm.*
SUBJECT: Reorganization Proposals

Attached are memoranda prepared by Terry Straub and Bob Thomson of my staff, reporting their findings on the Hill with regard to two major reorganization proposals -- natural resources and economic development.

On the House side, Terry concludes that both plans will present tough fights, but that the proposed Department of Natural Resources will be more difficult to obtain than will be the new Department of Development Assistance.

Bob Thomson sees serious problems for both plans in the Senate, but is not prepared to recommend against either at this point because he does not believe sufficient, in-depth, consultation has occurred.

Furthermore, my staff is not comfortable with conclusions drawn regarding "public" or interest group sentiment on these proposals. Quite frankly, we believe that the degree of support for the plans may be overstated and the intensity of opposition underestimated. If our concern is justified, we might very well be embarking on an uncertain course -- one which has been insufficiently charted and one for which we are politically and strategically unprepared.

I make these points while maintaining my posture as an advocate of reorganization generally. I believe we must pursue an ambitious reorganization agenda, perhaps including DNR and DDA, because it means a better federal government and a better political position for us as we enter 1980.

However, I do not believe we are ready for the public and Congressional outcry and opposition that these two plans are sure to trigger, if you decide to move with them now. Instead, I believe you should instruct OMB, Pettigrew, Wexler, me and others to:

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- Engage in further and more intensive consultations;
- Begin laying necessary political and public groundwork; and
- Develop a comprehensive strategy for securing approval of whatever option(s) you eventually choose.

I believe, as well, that everyone concerned should be instructed to engage in these suggested consultations on the assumption that you will ultimately decide to pursue both plans in their most ambitious forms. Quite frankly, it is my fear that a certain amount of negative lobbying has been occurring within the EOP and the agencies and that some of the opposition we have encountered on the Hill has been generated by persons in the Executive Branch, perhaps including people in or close to the White House.

I realize that I am calling for an additional delay, one without a definite date for conclusion. But I strongly believe that to do otherwise at this time, would be a serious mistake.

THE WHITE HOUSE

WASHINGTON

January 19, 1979

MEMORANDUM TO FRANK MOORE

FROM: BOB THOMSON

SUBJECT: REORGANIZATION PLANS - SENATE

I. CONCLUSIONS

At the outset, it is important to recognize the importance of the decisions the President will shortly make on reorganization. If the decision-making process is misplayed, this would be the 96th Congress' equivalent of the 1977 water project hit list controversy--that is, an incident that colors relations with Congress for many valuable months.

The Reorganization proposals involve programs fathered by Members currently sitting. They involve competing committee jurisdictions and powerful interest groups already mobilized. They are reaching maturity at just the moment when returning Senators' attentions are on Senate organization and reorganization and staffing of personal offices, not reorganization of the executive branch.

I believe without further Senate consultations, some involving the President himself, the submission of economic development and natural resources reorganization will cause unneeded hard feeling among some of our best friends in the Senate and may result in failure of the plans. Another two weeks of intense consultation with Senators themselves may avoid many problems and improve chances of success.

II. CONSULTATIONS TO DATE

Since November 1, PRP staff and White House CL have talked to 15 Senators about one or both plans. These include most of the key players in the Senate. We have made numerous staff contacts. Most Senators have been out of town during vacation, unavailable for consultation.

Even among the Senators who would be touched directly by the plans, there are many who are just now becoming interested and receptive to briefings and consultation (e.g., Muskie, Domenici, Gravel). We believe virtually all Senators not in leadership or ranking positions of affected committees are also in this category.

(It has only been in the last one or two days that these Senators have begun to talk about reorganization among themselves.

There have been Senators who have expressed mild to strong support for various aspects of the economic development plan (Burdick, Proxmire, Riegle). There are also a few who favor parts of the natural resources plan (Jackson, Stevenson, Gravel). There have been some surprise converts to our way of thinking, such as Burdick on the economic development plan. However, we have discovered no Senator who will provide leadership for our position on either plan.

Some pockets of resistance are well established, such as Hollings opposition to the NOAA transfer, Randolph's opposition to the EDA transfer and Talmadge's opposition to the Forest Service move to Interior. Others are just now developing, such as the Johnston appropriation subcommittee's opposition to the water projects portion of the natural resources plan.

The most serious problem with the economic development plan is with Senators Percy, Ribicoff and other key members of the Government Affairs Committee. They believe the suggested "reorganization" is so broad it should be the subject of legislation. Since this is the committee with jurisdiction, we believe that a resolution of disapproval could well be reported from the Committee. This would doom the plan on the floor and could also limit by precedent the President's exercise of reorganization authority in the future. The President must talk to Ribicoff and Percy before the plans are submitted if we are to succeed.

III. SUGGESTED ACTION

The President should direct that a two-week period of consultation on the favored versions of both plans begin immediately. We should meet immediately thereafter to make assignments for the President himself, cabinet officers and White House CL.

We should anticipate that most reactions will be mildly disapproving. This is natural since Senators want to avoid controversy and resist change. Our job is to judge the degree of negativism.

Perhaps a more important purpose of the "consultations" should be to convince the Senators of the merits of reorganization. I believe PRP has done some fine work on the plans and they probably can be sold to enough Senators if we approach the task properly.

THE WHITE HOUSE

WASHINGTON

January 19, 1979

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM TO FRANK MOORE

FROM: TERRY STRAUB

SUBJECT: Congressional Reaction to Reorganization
Proposals, Department of Natural Resources
(DNR) and Department of Development
Assistance (House of Representatives Only)

Several weeks ago you directed your staff to undertake a series of consultations on the Hill regarding the proposed natural resources and development assistance reorganization plans. This was done with Director McIntyre's understanding and approval. Rather than write their own political assessment and burden you with further paperwork, PRP has reviewed this memorandum and concurs with its findings.

This consultation is limited to "key players" only; in other words, we did not attempt to talk to every Member of the Committees of jurisdiction, but limited our contacts to the Chairman of the affected Committee or Subcommittee, or in some cases the ranking Minority Member, and in other instances key players in the substantive area. Thusly, we are reflecting only the sentiments of individual Members who are likely to play central roles in support of or opposition to individual plans.

I. DEPARTMENT OF DEVELOPMENT ASSISTANCE

Congressman Harold T. "Bizz" Johnson, Chairman, Public Works and Transportation Committee: does not believe moving EDA, Farmer's Home Administration, or any part of SBA will facilitate the development assistance program functions. More open minded on Farmer's Home than EDA; might be persuaded on this part of the transfer.

"EDA should not be moved out of Commerce; rather, should be expanded and made bigger where it is."

Congressman Norm Mineta, Chairman, Subcommittee on Public Buildings and Grounds: Very supportive, feels the Public Works Committee will gear up to fight the DDA reorganization, even though it is not only a loss of Committee jurisdiction

that motivates them; feels the Mayors and Governors are likely to support the reorganization (there is some dispute of this) and feels that Johnson and Roe can be beaten on this issue (witness the Public Works veto).

Congressman Henry Reuss, Chairman, Committee on Banking, Finance, and Urban Affairs: Very supportive of the DDA concept. Feels the Public Works Committee will be very troublesome, unless "the President would see Johnson and Roe and twist arms."

He is skeptical about the political ability to create the DDA and it's unlikely that he will play a major role other than to be generally supportive.

Feels the National Development Bank has "a very rocky road ahead of itself", but if it's created it should be integrated into the new agency. He is doubtful of the Bank's necessity now and feels the President could embrace its demise if it proves to be unnecessary. "Could be a real plus for the President and a way to get out from under the weight of a bad proposal."

Lud Ashley, Chairman of the Subcommittee on Housing and Community Development: Strongly supportive of the DDA concept, feels it is in the national interest. Feels the opposition by the Public Works Committee is "manageable".

He will not support the Development Bank unless it is folded into the DDA. "Safe to say there will be no Development Bank unless there is a reorganization plan first that places it there."

He was somewhat antagonistic to Majority Leader Wright; feels that he (Ashley) is as close to or closer to the Speaker on this issue than Wright.

He is currently contemplating what his role may be in the DDA reorganization; (one possibility would be to ask the Speaker to appoint a task force with Ashley as Chairman, although this would probably antagonize Brooks).

Congressman Robert A. Roe, Chairman, Economic Development Subcommittee: By far had more to say on this issue than any other Member. Strongly opposes the DDA concept; says it is not a Committee jurisdiction question; feels that although EDA is having problems (understaffed) they do a good job where they are. "They put out public works dollars very effectively and I thought the President was initially pleased with the success of EDA and its capabilities." Reminded us that all the regional development and Appalachian programs have a very powerful constituency in the House that would

oppose this reorganization. We "should not move EDA to HUD in order to try to improve upon HUD"; feels that UDAG is "a harebrained program -- a melon", and that "EDA should not be mired down into the problems of HUD, which is too oriented toward minority programs exclusively. In any case, EDA already performs admirably for minorities."

Feels that American business will react negatively to the diminishment of the Department of Commerce, and that the rural population and rural Members will be very upset if money flows any more toward urban areas to the exclusion of the rural areas.

Congressman Jim Wright, Majority Leader: Wright apparently feels moving EDA to HUD would be a drastic mistake. "EDA has done a good job where they are, have gotten the money out according to the formulas the Congress has imposed, and the worst thing in the world that could happen to them now is to be transferred to HUD."

Congressman Richard Bolling, Chairman, House Rules Committee: A strong supporter of the plan and has urged PRP to be "bold and imaginative in these areas." We will likely have his help if we request it.

Congressman Jack Brooks, Chairman, House Government Operations Committee: Enamoured with the concept of the DDA reorganization. It strikes at the heart of an agency (Commerce) that he has long had problems with and feels it would be good to shake up "those old relationships."

If we had only one reorganization plan to offer this year, and Brooks could pick it, our feeling is that this would be it. We are likely to have strong support from him for this plan, and, in his opinion, support from the interest groups.

Congressman Tom Bevill, Chairman, Public Works Subcommittee of the Appropriations Committee: unable to contact him directly during the recess but have referenced a letter of December 28 opposing the "altering, abolishment or tampering with the Farmer's Home Administration in any way"; feels that they have done a good job "working with the problems of farmers in rural communities."

Summary: While there is vocal opposition to the DDA concept from some important Congressional personalities, there also seems to be a good deal of support. Additionally, we are benefitted by Chairman Brooks' up front support for this plan. Prospects for passage of this plan, although difficult, seem hopeful.

Much of the controversy over this plan is centered over the transfer of EDA out of Commerce, and, to a lesser extent, the Farmer's Home Administration. Few opposed the overall concept or denied the need for consolidation of programs in the economic development and development assistance areas.

It's difficult to determine whether there is, in fact, a real Committee jurisdiction question here or not. In any case, the Members who opposed the plan do not cite that as the reason for their opposition. It is reasonable, however, to assume there will be Agriculture Committee opposition to the transfer of any Farmer's Home functions.

There are a number of underlying themes here that will stimulate debate over the program transfers. Among these is the rural vs. urban conflict; and the so-called "frost-belt" vs. "sun-belt" issue. Both involve allocation of money to sun-belt (newer cities and towns) and rural officials who feel discriminated against by UDAG (HUD). Moreover, it is clear that the ultimate recommendation for placement of the Development Bank will play a central role in the degree of support we will enjoy from our advocates on the DDA initiative. This is particularly true of Reuss and Ashley.

II. DEPARTMENT OF NATURAL RESOURCES

Tom Foley, Chairman, House Committee on Agriculture: Strongly opposed to the transfer of the Forest Service and functions of the Soil Conservation Service. Feels this transfer will not be supported by rural Americans nor by the agricultural interest groups. Feels the Agriculture Committee will be unanimous in its opposition to the transfer of both of these programs.

Has concerns that the Forest Service should not be placed in an agency that will likely restrict usage of the forests; feels PRP has been unmindful of the plans developed at the local level to properly use the forests; and the reorganization seems to be being done "for appearance's sake only." He also alleged that the Speaker seemed to be quite concerned about the Forest Service transfer. (Foley has lobbied him and Brooks about it.)

Foley feels, in addition, that committee jurisdiction will be affected and cause a war between the Agriculture Committee and the Interior Committee over Forest Service jurisdiction.

Congressman William Wampler (R-Va), Ranking Minority Member, House Agriculture Committee: Will actively oppose the moving of the Forest Service to DNR; will try to mobilize the entire

Agriculture Committee against us. Feels Southerners will strongly oppose the move because both the Forest Service and Soil Conservation Service move dramatically affects them. Will also try to mobilize liberals in opposition to this plan because of the environmental concerns. Feels Forest Service and Bureau of Land Management should always remain separate, feels the competition between the two is healthy.

Congressman Jamie Whitten, Chairman, Appropriations Committee on Agriculture: Opposes moving the Forest Service to the DNR; feels the reputation of the Interior Department is not good and there will be a bad reaction to the move; "Interior is too opposed to the use of land."

Congressman Frank Horton, Ranking Minority Member, House Government Operations Committee: Seems generally supportive in discussions and I feel we can count on him to work the Republicans on the Committee for us.

Mo Udall, Chairman, House Interior Committee: Very supportive of the DNR concept and is willing to help; wants his brother Stu involved; feels as former Interior Secretary he could work with Kleppe and others to lend a strong voice in support.

Udall, however, sees much trouble from Agriculture and Public Works Committee Members.

No comment to me on the role he is willing to play other than to be supportive. (PRP feels he will be active, if asked.)

Congressman John Seiberling, Chairman, Subcommittee on Oversight and Alaska Lands, Committee on Interior and Insular Affairs: Strongly supportive of the DNR proposal and particularly supports the Forest Service move. Feels that if the reorganization plan did nothing more than accomplish this transfer, it would have to be considered a success.

Congressman John Dingell, Chairman, Energy and Power Subcommittee, and a Member of Committee on Merchant Marine and Fisheries: Very probing but cautioned us against interpreting his questions as "hostile." Very skeptical about several elements of the plan including treatment of the COE and BLM. Also wants assurances as to how we will protect the "integrity" of any unit transferred.

Congressman John Murphy, Chairman, Merchant Marine and Fisheries Committee: Has recently given a strong speech to interest groups opposing the DNR concept as being "untimely and ill-founded." His opposition centers on his concern for the need

of an Organic Oceans policy from the Administration; most strongly opposes the transfer of NOAA into a new agency. Feels "the proposal is essentially a document of unsubstantiated data, and statements of generalization challengeable on their face." "I call upon the President to reject the DNR proposal, and to direct the PRP staff to work with the Congress in first, the establishment of a policy, and then the structure to implement the policy." "If the President determines that there is some merit to the establishment of the DNR, I call upon the President to submit legislation in the form of an Organic Act for the entire new Department."

Congressman John Breaux, Chairman, Subcommittee on Oceanography: Has made no decision yet as to his support of the DNR; Breaux is the real Congressional spokesman for the oceans community, and could be quite helpful to us. Feels the fishing industry will certainly oppose the NOAA transfer, and that much of the problem centers over a personality clash with Cecil Andrus, who is too "land-oriented."

Feels that the following must happen if we are to have his support:

"NOAA must be enhanced in any new Department and not lose any clout. There is potential to upgrade the oceans function to the Assistant Secretary level. Oceans programs are too fragmented, and this is an opportunity to bring them together."

Also wants Administration support for the creation of an Organic Act for the oceans (he will introduce a bill again this year).

Jack Brooks, Chairman, House Government Operations Committee: Brooks is skeptical about the amount of interest group or Member support for the DNR reorganization. Clearly it is not as close to his heart as the DDA reorganization. Has some concerns about the ability to successfully move this plan through the Committee with the amount of opposition it has already stimulated, particularly within the Agriculture community. He has expressed reservations to McIntyre about the ability to overcome opposition to the Forest Service transfer. Also very reluctant to take on the Corps of Engineers and feels the transfer of COE policy functions would cause too much anxiety in Congress.

Congressman John Murphy, Chairman, House Merchant Marine and Fisheries Committee; Congressman Bob Leggett, Chairman, Subcommittee on Fisheries, Wildlife Conservation, and the Environment; Congressman John Breau, Chairman, Subcommittee on Oceanography; Congressmen Mario Biaggi, Joel Pritchard and Ed Forsythe of the House Merchant Marine and Fisheries Committee; and Congressman Phil Ruppe, Ranking Minority Member of the House Merchant Marine and Fisheries Committee: Consigned a letter on February 28, 1978, stating that in light of the reorganization proposals, "we feel that the best outcome would result from an independent NOAA and a Department of Interior focused primarily on land-based resources that would be of a smaller, more manageable size and suffer from few of the internal policy conflicts than an expansive DNR would experience."

Summary: While there are a few key Members in our corner (i.e. Udall and Seiberling) on this issue, what is unclear is the extent of their willingness to play a strong role. Udall, for instance, while very supportive (and a natural to take the lead), is likely to be consumed with legislation on the D-2 lands and the RARE II memorandum.

Opposition, on the other hand, seems considerable. It centers mostly on the transfer of COE functions and the transfer of the Forest Service and SCS functions. More importantly, Members opposing the plan span a wide ideological spectrum (Weaver to Whitten), thusly allowing the opponents to access a larger group of Members.

We would likely see a coalition against the plan form around Members of the Public Works Committee (opposed to Water Policy transfers away from COE), and the Agriculture Committee (opposed to Forest Service and Soil Conservation Service transfer).

It does seem possible to bargain with Breau for his support of the NOAA transfer; if the Administration is willing to make assurances to Breau that NOAA will play a central role in the new DNR structure, (and possibly support an Oceans act?), this would tend to blunt Murphy's opposition.

Conclusion: Finally, when Eizenstat and Cable met with the Speaker to review the legislative agenda for the year, the Speaker mentioned that he felt the Department of Natural Resources plan could be a problem; the Agriculture types (Foley) are lobbying him hard on this, and he has some particular concerns about the ability to transfer the Forest Service out of DOA. Regarding DDA, he inferred he had no feel for that particular initiative yet, but that Lud Ashley (a supporter), had talked to him about it.

THE WHITE HOUSE
WASHINGTON

FEB. 5, 1979

MR. PRESIDENT -

HAMILTON ASKS THAT YOU STOP
BY THE ROOSEVELT ROOM FOR
5 MINUTES TODAY ---- 1:10 p.m.

FRAN

✓ approve _____ disapprove

J

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for Preservation Purposes

THE WHITE HOUSE
WASHINGTON

FEB. 5, 1979

*Lone
J*

MR. PRESIDENT

CONGRESSMAN DAVID OBEY (D-Wisconsin)
WOULD LIKE TO TALK TO YOU SOMETIME TODAY
ABOUT THE BUDGET. FRANK RECOMMENDS
YOU RETURN HIS CALL.

FRAN

(NOTE: He is also anxious to have
you come to Wisconsin on
March 31. This proposal is
included in the 3-month schedule
proposal we put on your desk today)

*Asked staff JC → Wise. 3/31
Annu fundraiser (10th)
5/5*

Must address bal budget issue

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THE WHITE HOUSE
WASHINGTON

OUT FEBRUARY 5, 1979.

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THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
JACK WATSON *Jack*
ANNE WEXLER *Anne*

SUBJECT: Reorganization Proposals

OMB has done a good job summarizing the major reorganization options. The decision memorandum reflects their thorough analysis of the key issues.

This memorandum summarizes our views on OMB's reorganization proposals. It contains a brief summary of our views, general comments on the overall reorganization effort and specific recommendations on each of the four major proposals.

Brief Summary of Key Points:

Below is a summary of our position on the most critical reorganization issues. Each of these issues is discussed in greater detail later in this memorandum.

- We support creation of a Department of Natural Resources. We strongly recommend, however, that the water resources functions of the Corps of Engineers, the Soil Conservation Service, the Bureau of Reclamation and the Water Resources Council not be reorganized as part of the DNR plan. Even some of the strongest Congressional supporters of DNR (for example, Mo Udall) believe that inclusion of the water resources functions will precipitate another bitter water policy debate and endanger the already controversial and politically difficult DNR proposal.
- We do not favor OMB's proposal to create a new Department of Development Assistance for several reasons:

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- o It will divide rural housing and community development programs, which currently are administered by Agriculture, between two separate agencies. Rural communities, which currently receive "one-stop shopping" in FmHA, would face "two-stop shopping" -- FmHA for housing and DDA for community and economic development.
- o It will dilute our private sector economic development programs, which are the cornerstone of your urban policy, by placing a well-managed economic development agency (EDA) in a Department that is dominated by housing interests and is perceived (perhaps incorrectly) by Congress and the private sector to be poorly managed and not responsive to private sector needs.
- o The principal improvements in the economic development programs will not be accomplished by reorganization, but will require substantial changes in the authorizing statutes. These changes will be extremely controversial and will take a long time to achieve. The transition period, which could be quite lengthy and disruptive, could discredit the whole reorganization effort and severely undermine our ability to provide important urban, rural and economic development initiatives. Moreover, these changes will be occurring during the time of an economic slowdown, when a stable atmosphere is particularly important.
- o It will put the Administration in the middle of politically damaging battles between urban and rural interests, Northern and Southern/Western interests and State and local governments. The process of converting HUD from a "distressed cities agency" to a "national development agency" probably will alienate all of these factions.
- o Our own discussions with Mayors and rural interests have convinced us that there is little or no interest in comprehensive community and economic development reorganization -- and specifically in the DDA.

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- o It would be extremely damaging to propose this reorganization at the same time that the Public Works Committees are considering reauthorization of EDA's basic authorizing statute. This reorganization will only anger these Committees, making it extremely difficult to pass the National Development Bank legislation.
- As an alternative to DDA, we propose that the economic development programs (with the exception of UDAG in HUD) be consolidated into a new Department of Commerce and Economic Development and that we propose legislation to consolidate the community and economic development planning programs (this is a modified version of Option #3 in OMB's memorandum). This proposal achieves all of the programatic results achieved by DDA, except for consolidation of the rural community development programs (which we believe should be left in FmHA). It will ease enactment of our National Development Bank proposal, because the Bank can be attached to the Economic Development Administration's reauthorizing statute. It also would provide a much-needed enhancement of Commerce's mission as a business assistance and economic development agency. Finally, the EDA reauthorizing statute, which will be considered by Congress this year anyway, provides a convenient vehicle for accomplishing many of these reforms. Although this reorganization would be difficult to enact, it is our judgment that it would receive broader support than DDA within Congress and among most public interest groups.
- Further study should be given to transferring all of SBA to Commerce as part of the economic development reorganization.
- We support OMB's proposal to strengthen the role of the Agriculture Department, but recommend that HEW be involved in the development of those proposals that affect HEW's nutrition education and research programs.
- We believe that we should not proceed with either of the major reorganization plans (DNR or DDA) until we are prepared to articulate a new mission for the Department of Commerce. Commerce otherwise will be decimated by the transfer of NOAA to DNR and the possible transfer of EDA.

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General Comments:

We have the following general comments on the decision memorandum and on overall reorganization strategy:

- We are concerned that some of the proposed reorganization plans will significantly disrupt the delivery of essential programs in the critical period between now and 1980. Our own consultations with Mayors indicate that they are particularly concerned about this issue. The UDAG and EDA programs, for example, are the most responsive grant programs in the Federal system. They have made a measurable difference in many of our cities, and will produce hundreds of projects closely identified with the Administration in the next two years. Any massive reorganization in this area is likely to disrupt the efficient delivery of these services for an undetermined period of time. This will be disconcerting to Congress and to the clients of those programs. Due to the difficult legislative battles that will follow reorganization in this area, we believe that the disruption will last at least one to two years.

Similarly, any effort to alter the organization of our water policy institutions probably will cause a major setback in our efforts to institute our proposed water policy reforms.

- We are concerned that, while there is widespread public interest in reorganization, there appears to be no broad public constituency for these reorganization proposals, and particularly for the development assistance proposal. Unlike civil service reform, for which we obtained broad support from the media, good government types, public officials and business, OMB's proposed reorganization plans are fraught with regional, urban/rural and production/conservation conflicts. Our own discussions with Governors, Mayors and other interested parties suggest that the opponents of these plans will be more persistent than the supporters. As a result, we believe it will be much more difficult to develop broad public and media support for these plans and you will get less credit for proposing them.

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Our concerns are compounded by the fact that no agencies are eliminated by either of these plans, and that the cost savings from these proposals, particularly DDA, are small. There simply is not much in these proposals that responds to the public's concern about the size or cost of the Federal bureaucracy, the lack of management control and the proliferation of waste and fraud. It is these public concerns that were touched by your campaign statements about reorganization, not a concern with government organization itself.

- We think it is worth further consultation to consider consolidating all of SBA into Commerce as part of the economic development reorganization. While OMB has not had the time to adequately discuss this issue with Congress or the public interest groups, we believe it is a potentially attractive reorganization proposal. SBA is a mismanaged, scandal-ridden agency, the elimination of which might be perceived as a bold action. There could, however, be considerable political opposition from the small business community.
- We agree with Secretary Bergland that the reorganization plans should be submitted to Congress one at a time. Each of the major plans (natural resources and economic development) will be controversial in its own right. If they are sent to Congress simultaneously, we may face substantial log-rolling or may alienate a majority of the members of Congress, making it difficult to pass any of our reorganization proposals.

Natural Resources:

In general we support OMB's proposal to create a new Department of Natural Resources. We believe the proposal can be justified substantively and, if it is approved by Congress, would be a substantial victory for the Administration in its efforts to make the government work better.

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We strongly recommend, however, that the water resources functions not be reorganized as part of the DNR plan. We agree with the Defense Department and the Army that the DNR proposal has substantive problems since it splits policy planning from construction, but more important we believe that DNR is politically stronger if the water resources functions are left unchanged. We make this recommendation for the following reasons:

- Inclusion of water resources reorganization in the DNR proposal could seriously jeopardize Congressional approval of the entire DNR reorganization plan. We have been engaged in bitter debates with the Congress over water policy in each of the last years. Although we have mustered sufficient votes to sustain a Congressional veto, we have not yet been able to get a majority of the House to support even our modest changes in water policy, much less the sweeping changes proposed by OMB or Interior. Given this history, the Congressional water policy coalition alone might be enough to defeat the DNR reorganization plan. When combined with opposition from some ocean interests (concern about NOAA) and timber interests (concern about Forest Service), however, the opposition of the Congressional water coalition could be insurmountable. (Jim Wright and Jamie Whitten, in particular, will be formidable opponents of the proposed changes in water functions). In fact, even the strongest Congressional supporter of DNR (Mo Udall), has told us that he strongly believes that water resources functions should not be reorganized, for fear that the water proposals could sink the entire reorganization plan.
- The Administration's water policy reforms will suffer a significant setback if there is a major reorganization in the water resources area. Additional suspicion will be created in Congress, making passage of the cost-sharing legislation unlikely. Implementation of the administrative initiatives probably will lose momentum in the confusion created by reorganization. While this confusion will decrease over time, water policy reform probably would be disrupted for the remainder of your first term.

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- We are concerned that inclusion of the water functions in DNR will precipitate a log-rolling situation, in which key Congressmen condition their support for DNR on Administration approval of specific water projects.
- The separation of the policy planning functions from the construction functions will create new inefficiencies. It is unrealistic to assume that the Corps will depend entirely on DNR for policy and planning advice. Over time, Congress undoubtedly will reinvigorate these functions in the Corps and create further duplication in Federal programs. Moreover, separation of the policy planning functions from the construction functions deprives the policy planners of the on-line experience of the construction agency and vice versa. Finally, we are skeptical that separating policy planning from construction will reduce the construction agency's motivation to generate new projects.
- Transfer of the independent Water Resources Council (WRC) will reduce the coordination among the eight Federal agencies with water policy responsibilities. The WRC has been an essential tool in our efforts to implement water policy reforms in all agencies, including those that are unaffected by DNR (for example, HUD and EPA). These agencies and the Corps are comfortable responding to the directions of an interagency body. It is highly unlikely, however, that they will be responsive to DNR, which will be simply another Federal agency.

We recognize that our proposal requires Congressional approval of continued funding for the Water Resources Council. We believe, however, that Congressional funding of WRC will be much easier to obtain than any of the changes recommended by either OMB or Interior.

Finally, though it does not change our recommendation in favor of a DNR, you should be aware of the political difficulties this proposal will encounter even without transfer of the water functions. Timber interests are already uneasy about the outcome of the RARE II process. Moving the Forest Service to a new agency may compound their opposition to both proposals.

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(The timber interests are concerned that the new agency will be more interested in preservation and less interested in production than the present organization.) The Chairman of both House and Senate Agriculture committees already are on record opposing the Forest Service transfer.

If you decide to shift the Forest Service out of the Department of Agriculture, the chances of gaining timber industry support will be higher if you offer some assurance that management of public timberlands will be improved. OMB has prepared a two page Presidential statement that we feel goes at least part of the way in providing these reassurances.

The transfer of NOAA, though it poses fewer problems, will precipitate a major battle with Senator Hollings. He will vigorously oppose the transfer, and may be generally less cooperative with the Administration on other issues.

Economic Development Assistance:

We agree with OMB that the Federal government's economic development programs should be consolidated and strengthened. We, however, have very serious substantive and political reservations about the DDA proposal. Instead of DDA, we recommend that the Federal government's economic development programs (with the exception of UDAG) be consolidated into a new Department of Commerce and Economic Development (Option #3 in OMB's memorandum). We also recommend that the Administration submit to Congress legislation consolidating the economic and community development planning programs.

These two proposals would achieve almost all of the substantive benefits of DDA, but at greatly reduced political cost. They also would enhance the prospects for enactment of the National Development Bank legislation and would provide an enhanced mission for the Commerce Department.

We have the following general concerns about the DDA proposal:

- The principal benefits of the DDA proposal come from the program consolidation legislation, and not from reorganization. The program consolidations proposed by OMB can be achieved only through significant revisions of basic authorizing legislation.

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Transferring all of these programs to one agency by reorganization plan, while it may improve the prospects for this legislation, will produce no substantial benefits by itself.

Even after the economic development programs are shifted to one agency (DDA or Commerce) we still must convince each of the Congressional authorizing Committees to accept specific legislation eliminating their current programs and creating the new consolidated program. Obtaining the approval of the Agriculture, Public Works and Banking Committees on one set of eligibility criteria, planning requirements, field structures, etc. will be a monumental task under any circumstances (unlike reorganization authority, there is no 60 day action forcing deadline). Since the Committees also will be jealously guarding their legislative jurisdictions, the task will be even more difficult.

You should recognize that one conceivable outcome of development assistance reorganization is a situation in which all of the program resources are transferred to a new Department (Commerce or DDA), but none of the program consolidations have passed Congress. This result would be chaotic from the perspective of service delivery and could undermine the credibility of the overall reorganization effort.

- The DDA proposal would divide critical rural development programs and separate them from the widely acclaimed FmHA rural delivery system. FmHA has evolved a highly decentralized delivery system (46 State offices, 280 district offices and 1883 county offices), which effectively delivers FmHA's housing, community facilities and economic development programs. The OMB proposal, however, transfers FmHA's economic development and community development programs to DDA, separating them from FmHA's housing programs and the FmHA's rural delivery system. This proposal is particularly harmful to the rural communities that are least able to deal with complex Federal programs.

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Moreover, DDA undoubtedly will create a rural delivery system that parallels and duplicates FmHA.

- The DDA proposal will dilute the private sector job creating focus of our economic development programs by placing them in an agency that is dominated by housing and community development interests. HUD has always been and continues to be principally a housing and public development agency. It administered no economic development programs until we created UDAG in 1977 and still has little economic development staff capacity outside of Washington (UDAG, HUD's only economic development program, is run by 75 people, all in Washington). HUD's Congressional authorizing committees, in fact, have pressured the agency to use more UDAG funds for "neighborhood" projects and less for job-creating economic development.

Given this history, we are concerned that the economic development programs will be step-child in DDA and that there will be pressure to dilute their job creation focus. Even if all of the economic development programs are consolidated into DDA, these programs will represent considerably less than 10 percent of the DDA's outlays in FY 1980.

- The economic development programs require high quality management, because of their frequent dealings with the private sector. HUD, however, is perceived (perhaps unjustly) to be a poorly managed agency, particularly by the private sector.

While Secretary Harris has done a fine job improving HUD's management, its reputation in the private sector may still be "red-tape, delays, etc." If we propose DDA, we take the risk of turning our private sector economic development programs over to an agency with which the private sector still is somewhat uncomfortable. Just as important, DDA conceivably could be characterized in the Congressional cloakrooms as "taking one of the Federal government's best managed agencies (EDA) and transferring it to one of the worst bureaucracies (HUD)."

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- The arguments in favor of keeping the economic development and community development programs separate are at least as strong as the arguments for combining these functions in the same agency. We feel this way for three reasons:
- o There are significant differences between economic development and community development. Economic development programs use public funds to stimulate private sector job creation and private sector investment. Community development programs are designed to enhance the quality of public sector facilities. The clients and constituencies of these programs are quite different, as are their purposes. Combining CD and ED, in our judgment, would relegate the private sector to a subordinate position.
 - o The distinction between CD and ED is recognized by the clients of these programs -- local governments. The majority of the Nation's largest cities (including New York, Boston, San Francisco, Philadelphia, Los Angeles, Cleveland and Chicago) have separate economic development and community development departments. These cities see the fundamental difference between job-creating economic development programs that deal with the private sector and community development programs that deal with public facilities and neighborhoods.
 - o Coordination between CD and ED programs will occur whether these functions are housed in the same Federal department or in different Federal departments. The Federal government has virtually no control over how cities spend their CDBG funds (CDBG is like Revenue Sharing -- it belongs to the city as soon as the check is sent). As a result, coordination between CDBG and the ED programs can occur only at the local level, not in Washington. In fact, there are numerous projects that cities already have put into place by combining their CDBG funds with EDA grants, even though these programs currently are administered by separate agencies.

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- We are very concerned that the DDA proposal will cause a bitter and politically damaging battle between urban and rural interests and between Sunbelt and Frostbelt interests. HUD, rightly or wrongly, is perceived by Southern, Western and rural interests as being an agency interested mainly in large distressed cities in the Northeast. These interests will oppose DDA, unless they obtain concessions from the Administration on issues such as targeting, eligibility criteria, set-asides for their areas, etc. The concessions we make to obtain their support, however, will be viewed by our Northeast constituency as a retreat from our commitment to the most distressed cities. (The Northeastern Mayors feel you have done an excellent job on the targeting issue. There is no need to weaken their support for you over the reorganization issue). We cannot overemphasize our concern about the potential political damage to the Administration, if we are right in the middle of vicious regional and urban/rural legislative fights. Under these circumstances, we are likely to alienate all of these constituencies.

In our judgment, the substantive and political liabilities of DDA outweigh its benefits. We believe that consolidating the economic development programs (with the exception of UDAG) in the Department of Commerce is a more sensible approach, both substantively and politically. We favor this approach for the following reasons:

- The substantive benefits of the DDA and the Commerce option are essentially the same. Both proposals consolidate economic development grants (the Commerce option would not fully consolidate the ED grants if UDAG is not included), both consolidate the economic development loan programs, both consolidate planning programs, both provide a home for the National Development Bank, both will simplify the delivery of economic development programs and both will save some money.
- Although the Commerce option produces essentially the same benefits as DDA, it will encounter far less resistance in the Congress. By selecting the Commerce option, we are likely to win the support of the powerful Public Works Committees, Majority Leader Wright and Southern and Western interests who perceive HUD as a

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Northeast, big city agency. Rural interests will oppose both options, but will be considerably less outspoken in their opposition to the Commerce option. Congressman Ashley and some civil rights leaders may oppose the Commerce approach, but they might be more receptive if UDAG remains in HUD.

More importantly, most of this reorganization can be done as part of EDA's reauthorization. The National Development Bank bill could be incorporated in this legislation, greatly enhancing the Bank's prospects in the Congress. The reorganization plan itself would contain only the transfers from FmHA, SBA and CSA. It, therefore, would be far less controversial than the DDA plan, which involves transferring all of EDA and much more of FmHA. (It is worth noting that the same Chairmen of the Agriculture Committees that oppose moving the Forest Service, also oppose transferring FmHA to HUD. Since we will confront these interests on the Forest Service shift, we do not think that it is wise to confront them again on FmHA).

- The legislation required to achieve program consolidation will not be as complex or as controversial.

While some legislative changes still will be necessary if you select the Commerce option, the majority of the consolidations (particularly if UDAG is not included) can be achieved through the EDA reauthorizing statute, which will include both the EDA and National Development Bank proposals. In fact, it is likely that we will achieve program consolidation more quickly under the Commerce option.

- The Commerce option avoids the divisive urban/rural and regional legislative battles that DDA will precipitate. Unlike HUD, Commerce generally is viewed as an agency that strikes an appropriate balance between urban/rural and Northern/Southern interests. It receives high marks from Northern and Southern Mayors and urban and rural interest groups.
- While virtually all Mayors and local officials are unenthusiastic about reorganization in this area, most Mayors prefer the Commerce option (without UDAG) to DDA. Last week, we surveyed twenty-four Mayors

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to determine their views on economic development reorganization (see attached comments.) Virtually all of the Mayors felt that EDA and UDAG were functioning well and that reorganization in this area was not a high priority.

When asked which reorganization option they preferred, most of them preferred consolidating the economic development programs, with exception of UDAG, into Commerce. The strongest proponents of this view were Mayors of smaller cities and Mayors from the South and the West. The few notable exceptions were big-city Mayors from the Northeast (i.e. Coleman Young, Henry Maier). These Mayors feel that HUD is extremely responsive to their needs. They believe that if the economic development programs are consolidated into Commerce, UDAG also should be expanded.

A proposal to consolidate all of the major economic development programs (including UDAG) into the Commerce Department carries with it one major political liability. It probably will be opposed by some elements of the Carter Administration constituency -- Mayors from large cities in the Northeast and many civil rights leaders. These people would view a transfer of the UDAG program to Commerce (or placing the Development Bank in Commerce) as a reduction in HUD's role as the lead urban development agency and a slap in the face of Secretary Harris and her leadership of the Department. Secretary Harris also would be very upset. To allay these concerns, we recommend that the UDAG program remain in HUD and, perhaps, be increased slightly. We make this recommendation for the following reasons:

- UDAG is one of the Administration's principal urban initiatives. It is highly targeted to the most distressed cities and is extremely popular among Mayors, civil rights leaders and Congress. Transferring UDAG to Commerce would be perceived as a retreat from your urban policy commitments.
- The UDAG program has worked well and will make a significant difference in the development of many cities. It will stimulate substantial new development in the Nation's most distressed cities.

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- UDAG is the most targeted urban development program in the grant-in-aid system. If it were transferred to Commerce and Congressional jurisdiction transferred to the Public Works Committees, the degree to which it targets aid to the most distressed cities would be diluted. This would be a setback to our efforts to target assistance to the places with the greatest needs.
- The UDAG program is set to expire at the end of Fiscal Year 1980. We can fully examine the options for UDAG extension at that time. There is little point in alienating this important constituency prior to 1980.
- If UDAG were transferred, our urban and civil rights constituencies would be enormously upset and undoubtedly would seek to block the reorganization plan. If this were done, the whole plan might fail or we might have to abandon our efforts to move UDAG anyway. Either action would be viewed as a significant "loss" for the Administration.

If you decide to support consolidation of the economic development programs in Commerce, we strongly recommend that you meet with Secretary Harris to discuss your decision before it is announced. Her support will be essential if we are to avoid alienating civil rights leaders and some large city Mayors.

Food and Agriculture:

We generally agree with OMB's recommendations that the Department of Agriculture's role in food and nutrition policy be broadened and strengthened. We believe that OMB's recommendations strike an appropriate balance between changing the Department of Agriculture's mission and maintaining the continuity of established programs. We recommend, however, that HEW be involved in the development of those proposals that directly affect HEW programs in nutrition education and research.

OMB's recommendations take on added importance if you decide to transfer the Forest Service and portions of FmHA from Agriculture. In that case, the food and agriculture proposals will help to reassure the agricultural community that the Agriculture Department will remain a strong and influential force in the Federal government. It will help dispell the charge that we are "dismantling the Agriculture Department."

ADMINISTRATIVELY CONFIDENTIAL

Commerce Department:

The decision memorandum does not adequately articulate a new mission for the Commerce Department. Since you have foreclosed the "abolish Commerce" option, we believe that you must articulate a new or enhanced mission for Commerce at the same time that we are reducing its responsibilities in other areas (moving NOAA and perhaps EDA). This memorandum recommends that Commerce's mission include the major economic development and commerce functions of the Federal government. Such a proposal would combine all of the major private-sector business assistance and micro-economic analysis functions into one agency. We also recommend that you give further consideration to consolidation of the major trade functions into Commerce at a later date.

If, however, you decide to propose both the Department of Natural Resources and the Department of Development Assistance, Commerce would lose 45 percent of its employees and almost 60 percent of its budget. Under these circumstances, we strongly recommend that you delay submission of these plans until OMB has fully developed and consulted on their proposal for a new Department of Trade and Business. By delaying these proposals, you avoid the perception that the Administration "doesn't want to eliminate Commerce, but doesn't know what to do with it either." This perception could cause Congressional supporters of the Commerce Department and business groups to oppose all of our reorganization proposals.



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

January 18, 1979

MEMORANDUM FOR THE PRESIDENT

From: *Janita M. Kreps*
Janita M. Kreps

Subject: Reorganization

Your Administration has the opportunity now to meet your commitment to make government more effective and efficient through reorganization. I recommend that you consolidate and enhance economic development and trade programs in the Department of Commerce. This is a bold economic initiative; it is politically achievable this year; and it will deliver results promptly.

I support option 3 which would consolidate economic development programs and the National Development Bank in the Commerce Department. We can use the reauthorization of EDA which is required in FY 1979 to achieve a major reorganization. At the same time, we should move ahead to consolidate trade programs in Commerce. I am prepared to work closely with OMB to prepare a trade reorganization proposal that would complement and enhance the prospects for passage of the MTN treaty. The improvement of our international trade programs is closely linked to U.S. industrial and economic development.

A reorganization which consolidates economic development programs and trade programs and links them together in the Department of Commerce is the right course:

- o International, industrial and local area economic problems are intertwined and must be addressed together. Commerce has a unique core of technology, trade, industrial and economic development programs which provide a foundation for a sound U.S. industrial policy.
- o Your Administration is committed to a public/private sector partnership to solve our economic problems. Commerce's business orientation makes it particularly suited to leverage private investment with limited public resources.
- o Commerce programs are run in a business-like manner; we are experienced and competent in working with the

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private sector. In the last two years, Commerce has built a good reputation with Congress, State and local government and the business community in delivering on LPW, our basic economic development assistance, minority set-asides and trade expansion.

- o By building on Commerce's EDA programs, this Administration can promptly deliver its consolidated services without interruption through the end of the first term.
- o This reorganization is politically achievable in FY 1979. By utilizing the reauthorization of EDA, which has strong Congressional support, the Administration can assure enactment of the National Development Bank. This would be a major urban policy victory.
- o By strengthening the role of the Commerce Department, the Administration will enhance its support from the business community.
- o A consolidation of economic development in Commerce which addresses both urban and rural economic problems will ease snowbelt-sunbelt conflicts.
- o The U.S. faces serious balance of trade problems. To strengthen our international economic position we must consolidate our trade expansion and industrial development programs. Economic development must be linked to trade in order to improve the productivity and competitiveness of U.S. industry.

In contrast to the above reorganization proposal, option 1, the creation of a Department of Development Assistance, would be detrimental to the economic development objectives and accomplishments of the Administration.

A Department of Development Assistance would combine some of the government's economic and community development programs, including those now managed by the Commerce Department, into a new department responsible for economic development, community development and housing. This option is deficient in several important respects:

- o DDA's primary mission would be community development and housing. Economic development would become a subordinated, perhaps even an indistinguishable, contributor to that end. DDA would be an artificial amalgam of programs which have different purposes and operating strategies.

- o Community development and economic development are fundamentally different. Economic development stimulates investment and creates private sector jobs in economically distressed urban and rural places. Community development serves a broader and less business-like purpose--to promote the social welfare of communities and their residents. Instead of reinforcing Federal economic development capacity to cope with new and threatening economic realities, DDA jeopardizes that capacity.
- o The critical tie between trade and economic development functions would be lost. ?
- o DDA would be a HUD-based superagency for the distribution of \$37.8 billion in grants, loans, loan guarantees, and other assistance. It would be dominated by HUD's social welfare ethos and its urban and housing industry constituencies. It would be torn by the same internal conflicts that now impair HUD's capacity to fulfill its housing and community development roles.
- o It would relegate the private sector to a subordinate position.

Natural Resources

As I indicated in our earlier conversation, I believe there are several problems associated with the proposal to move NOAA into a Department of Natural Resources.

While oceans responsibilities are now found in a number of agencies, the OMB proposal only partly resolves the issue of potential duplication since it places only two of these agencies in the new department. More than half the ocean regulatory functions would remain outside the new department's jurisdiction after reorganization.

Moreover, important National Oceanic and Atmospheric Administration issues related to offshore oil and gas, fisheries, deep seabed minerals, and coastal land areas entail a complex balancing of development and environmental interests. Such issues must be treated within the context of other economic development, business, and trade promotion efforts. The Department of Commerce provides this context.

Finally, the Department has properly emphasized and provided leadership in ocean issues. The National Oceanic and Atmospheric Administration is a smoothly functioning organization which has fared well within the institutional structure of Commerce.

In conclusion, let me reiterate my support for a Commerce-based reorganization of economic development and trade policies and programs as the soundest and most forward-looking initiative. This option is achievable in FY 1979. Economic development reorganization and the creation of a National Development Bank can be accomplished with greater political and legislative ease by utilizing EDA's basic legislation which must be reauthorized this year and which has strong Congressional support. The MTN treaty and your international economic policy initiatives provide the incentive for consolidating trade functions this year.

Mr. President, the Commerce option will accomplish your objectives of achieving major reorganization and making economic development and trade programs more efficient and effective. It will provide a dramatic and sound step forward in the economic and trade policies of the Nation.

Having made these recommendations, I am sure you know that the Department of Commerce is prepared to assist you in whatever decisions you may reach.

C
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THE WHITE HOUSE

WASHINGTON

January 18, 1979

MEMORANDUM TO: THE PRESIDENT

FROM: DICK PETTIGREW *Dick*

SUBJECT: Reorganization Proposals of the
President's Reorganization Project

I have been intimately involved in the preparation and political assessment of OMB's proposals. On their merits, the OMB reorganization proposals are valid and need to be done. They will modernize Cabinet structure, improve government management, and strengthen the government's capacity to anticipate and build for the future.

There are also compelling political reasons for proceeding as OMB recommends:

- Public demand for increased government effectiveness has risen steadily since you introduced the reorganization issue in 1975. To meet your very personal and distinctive campaign commitment, you must act now. You will not be able to demonstrate by 1980 a sufficient fulfillment of this commitment without further visible and bold restructuring.
- The Congressional climate is unusually favorable. Experienced legislators like Representative Bolling and Senator Jackson have emphasized this point to me. Virtually half the Members in both houses have served four years or less. (You have been in office as long as a third of the House and Senate.) This makes them relatively free of the agency and interest group ties that historically work against reorganization.
- The reorganization authority, which expires in 14 months, provides us a significant tactical advantage. Because plans go into effect unless disapproved by either house within 60 legislative days, we can wage an intense, short-term campaign and be guaranteed a vote. This is a unique advantage of reorganization matters over the other items on your agenda.

I believe you can win on both initiatives with some political costs, but with political benefits that more than compensate.

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I. Natural Resources

A. The Problem

Managing the Nation's natural resources -- land, air, water, oceans, wildlife -- is a substantial Federal responsibility. But organizational fragmentation and overlap make it difficult to do a consistently good job. Exhibits I and II summarize relevant natural resources programs and display the current jurisdictional fragmentation of resource programs. This program dispersion creates real problems.

- ° No one official, short of you, can take an overview of broad gauge resource issues; set policies and priorities; or make decisions that appropriately balance between conservation and development.

No one addresses natural resources comprehensively, even though extensive interactions in the physical world exist. Even when policy is developed, often no one has clear authority to carry it out. For example, you have directed the Secretary of the Interior to implement water policy reforms, but he has no authority for Corps or Agriculture project planning. Relating natural resource programs to other areas, such as international relations, energy, and environmental protection, is difficult.

Numerous inconsistent field structures dealing with the same subjects, such as grazing, recreation, and data collection, make it difficult to coordinate policy decisions with State and local governments, or adopt a consistent position for particular regions. Citizens are confused by conflicting regulations in areas such as camping or right-of-way permits.

Responsibilities for each resource area (land, oceans and water) are badly fragmented. For example, water resources policy planning and construction responsibilities are assigned to three operating agencies and the Water Resources Council. Policy fragmentation especially injures development interests because of the policy inconsistency, uncertainty, and excessive regulatory costs and delays that it creates.

NATURAL RESOURCES PROGRAMS

EXHIBIT I

Department or Agency	Bureau	Clients	Budget (M)	Personnel	Mission
Interior	Bureau of Land Management	Ranchers, miners, oilmen, recreationists, timber industry	850.9	5,762	Manages 470M acres of publicly-owned lands including forests. Manages oil and gas leasing on the Outer Continental Shelf.
	Bureau of Mines	Mines, mineral industry, government agencies	146.1	2,500	Research on mining and metallurgy technology. Compiles mineral resources inventories and assessments.
	Bureau of Reclamation	Farmers, ranchers, municipal and industrial water users.	596	7,345	Plans, constructs and operates water development projects in 17 Western States, primarily for irrigation & hydropower.
	Fish & Wildlife Service	Public-at-large, hunters, fishermen, conservationists environmentalists	435.5	5,215	Manages 30M acres of wildlife refuges. Conducts research on fish and wildlife. Protects endangered species. Operates fish hatcheries.
	Geological Survey	Government agencies, State geologists, foreign gov'ts, planners.	640.1	9,552	Performs surveys and research on mineral and water resources, topography, geology. Prepares maps and charts. Manages minerals and OCS leases.
	Heritage Conservation & Recreation Service	Public-at-large, recreationists, historic preservationists.	842.2	580	Administers Land and Water Conservation Fund. Administers nationwide recreation planning and historic preservation programs.
	Nat'l Park Serv.	Campers, public-at-large	520.7	9,142	Manages 30M acres of National Parks.
	Office of Minerals Policy & Research Analysis	Government agencies	1.5	27	Performs mineral policy analysis.
	Office of Surface Mining	Mining industry, farmers, landowners	115.4	924	Regulates surface coal mining and reclamation of abandoned mine lands.
	Office of Water Research & Technology	Government agencies, universities, water resource planners	28.4	75	Administers water resources research contracts. Provides grants to universities for research.
Agriculture	Office of Territorial Affairs	Citizens of territories	119.2	182	Responsible for Guam, American Samoa, the Virgin Islands and the Trust Territories of the Pacific.
	Bureau of Indian Affairs	Indians, mineral industry	1,399	12,777	Trustee for Indian lands and monies. Provides social services.
	Forest Service	Foresters, timber industry, recreation, environmentalists	1,824	21,325	Manages 187M acres of Nat'l Forest lands. Provides assistance to State and private forestry program. Conducts forest and range research.
Army	Soil Conservation Service (partial)	Farmers, ranchers, landowners, planners	298.3	4,419	Plans and finances water resource projects in small watersheds, primarily for flood control & drainage. Conducts surveys of soil conditions & prepares maps. Measures snowpack & forecasts water supplies in the West.
	Corps of Engineers (civil)	State and local gov't, farmers, ranchers, boaters, inland shipping interests	2,623	29,000	Plans, constructs, and operates water development projects, primarily for navigation, flood control, hydropower, and recreation. Provides emergency response to natural disasters and national emergencies. Regulates disposal of dredged or fill material and obstructions to navigation.
Commerce	Nat'l Oceanic & Atmospheric Administration	State governments, airline and marine industry, public-at-large, environmentalists	777	12,530	Manages ocean fishing resources; administers State coastal zone management planning programs; protects marine mammals and endangered species; conducts research and assessments of the marine environment; monitors and predicts weather and climate; conducts research on meteorology and climate; and prepares marine charts and aviation maps.
Water Resources Council		Government agencies, State & local planners, environmentalists	60	105	Develops Federal water policy; administers State & river basin comprehensive water planning programs; establishes guidelines for water project planning; & conducts independent reviews of project plans.

NATURAL RESOURCES ACTIVITIES

EXHIBIT II

Agency	Water Resources	Land Resources	Oceans	Atmospheric Resources	Research, Science & Data Collection
Interior	Plans, constructs, and operates large multiple-purpose water projects, primarily for hydropower and irrigation. Manages freshwater fish hatcheries. Manages Wild and Scenic River System.	Manages 470 M acres of publicly owned land for multiple purposes, including grazing, timber, minerals, recreation, and wildlife habitat. Manages 60 M acres of publicly owned land for special purposes such as National Parks and Wildlife Refuges. Conducts recreation planning and historic preservation programs. Administers Land and Water Conservation Fund. Regulates surface coal mining. Regulates and protects endangered and threatened species of plants and wildlife.	Manages oil and gas leasing on the Outer Continental Shelf which involves support research in marine science and environmental impact studies. Jurisdictional dispute ongoing with NOAA over future management of seabed minerals. Manages a series of fish hatcheries for anadromous fish. Conducts marine mammal programs.	Conducts a program of weather modification to increase water supplies in the West.	Performs surveys and assessments of mineral resources, including geologic investigations, geophysical surveys, and satellite observations. Conducts broad-based program of water resources research, fish and wildlife research, ecological research, marine minerals research, and land-based mining and minerals research and development. Conducts nationwide program of surface and ground water resources monitoring, including water quality. Maintains national water data exchange. Prepares maps and charts.
Forest Service		Manages 187M acres of National Forests for multiple purposes, including timber, grazing, minerals, recreation and wildlife habitat. Provides technical and financial assistance to State forestry programs.			Conducts forest and range research for Federal agencies. Prepares an annual renewable resources assessment.
Soil Conservation Service (Water and Soil Conservation Division)	Plans and finances multiple-purpose water projects in small watersheds, primarily for flood control and drainage.				Prepares certain land and soil maps. Conducts nationwide surveys of soil conditions and their possible uses; conducts an interagency program of snowpack measurements and water forecasts in Western States.
National Oceanographic and Atmospheric Administration			Administers marine fisheries programs, including research and development programs; protects marine mammals and endangered species; conducts oceanographic data collection and research; administers State coastal zone management planning programs.	Monitors weather and climate and prepares forecasts; issues storm warnings and organizes community preparedness; conducts research on meteorology and weather modification; operates weather and research satellites.	Conducts interagency program of climate research; manages oceanographic and marine science programs; administers grants to universities for basic research in marine sciences. Manages production and distribution of marine charts and aviation maps and approach plates.
Corps of Engineers	Plans, constructs, and operates water development projects, primarily for flood control, navigation, hydropower, and recreation. Provides emergency response to flood and other natural disasters. Regulates disposal of dredged or fill material and obstructions to navigation.	Manages 8 million acres of reservoir lands for multiple uses, with large recreation attendance.	Regulates ocean dumping of dredged materials under EPA guidelines and veto power.		Conducts hydrologic investigations and collects water resource data. Manages engineering research in support of new construction techniques. Conducts recreation and environmental studies.
Water Resources Council	Develops water resources policy. Manages comprehensive river basin and State water resources planning. Establishes guidelines for planning of water projects. Conducts an independent review of project plans.				

SENSITIVE

Resource users complain, with reason, that the public is receiving inadequate benefits from federally-owned land and timber resources. One reason is that no Federal official is completely accountable for assuring that day-to-day decisions reflect long-range productivity goals.

Today's problems will intensify in the future with increasing population, economic growth, and increasing demand for recreation facilities.

- ° Unclear assignment of responsibilities leads to interagency competition, duplication of skills, and failure to take advantage of economies of scale.

Interior and NOAA have several areas of overlapping jurisdiction, including hydrology, marine biology, mapping and charting, and deep sea mining. Despite numerous coordinating committees, the problems remain.

Interior and the Forest Service manage public land for the same multiple purposes. Yet each has its own experts, investment levels, field structure, and systems for dealing with the public, including timber, cattle and recreation industries.

The three water development agencies independently pursue their own project planning studies in support of their own construction program levels. This can cause unnecessary expense, poorly conceived projects, and extra pressure from hopeful beneficiaries.

All the natural resource agencies have research and data programs, but there is no central clearinghouse, making it difficult for agencies and the public to take advantage of each other's knowledge.

- ° Inconsistent regulations and procedures make it time-consuming, costly, and confusing for natural resources users.

Recreation services are provided by several agencies. Different priorities and funding levels result in some overdesigned and over-staffed facilities while others are neglected.

Interior and the Forest Service, both managing similar public lands, have different regulations for permits, fees, accounting methods, recreational usage and environmental regulations. This situation is particularly troublesome when the two agencies have adjacent or intermingled land, and users seek permits for grazing, access roads or other uses that cross jurisdictions.

Responsibility for management of the outer continental shelf and certain marine mammals is vested in Interior. NOAA has most other ocean-related responsibilities and expertise, such as oceanography, fishery regulation, coastal zone planning and other marine mammals. This division of closely related programs causes duplication, confusion for developers and environmental groups, and fails to take full advantage of complementary skills.

B. Principal Alternative: Department of Natural Resources (DNR)

Built on a reorganized Interior, a DNR would incorporate the Forest Service, NOAA, the Water Resources Council, and the water planning functions of the Soil Conservation Service and the Corps of Engineers. DNR would be responsible for managing the Nation's natural resources and ensuring their protection and wise use.

Once consolidated in a single department, DNR programs could be realigned into major program components essentially as follows:

° NOAA (Commerce) and Outer Continental Shelf (Interior):

In the DNR, a major component including NOAA and the oceanic programs of Interior would be created, giving these functions higher priority and eliminating duplication. This component would be responsible for sound use and protection of ocean resources, including outer continental shelf leasing, fishery regulation and ocean environmental protection.

- ° Forest Service (Agriculture) and Bureau of Land Management (Interior):

The experience and professionalism of the Forest Service staff make it the premier multiple use land management agency in the Federal Government. Within the DNR, the Forest Service would provide the base for this component and, over time, would absorb the Bureau of Land Management and its expertise in mineral leasing. The new unit would be charged with ensuring the fullest productive use of public lands, consistent with sound conservation principles.

- ° Geological Survey (Interior) and Bureau of Mines (Interior):

Minerals data gathering and policy analysis could be consolidated in a science and minerals component.

- ° National Park Service, Fish and Wildlife Service, Heritage Conservation and Recreation Service (Interior):

Within DNR, the National Park Service, Fish and Wildlife Service, and Heritage Conservation Service would continue to be grouped together, permitting maximum efficiency in program delivery.

- ° Bureau of Indian Affairs (Interior):

BIA would continue to be associated with the DNR. DNR can reconcile Indian trust matters with the overall public interest as well as Interior has done.

- ° Water Resources Council, part of the Corps of Engineers (Defense), parts of the Soil Conservation Service (Agriculture) and Bureau of Reclamation (Interior):

Water resources problems are being addressed by the water policy reforms. However, these policy directives can be more effectively and permanently implemented with accompanying organization improvements.

We propose a system which would consolidate in DNR all functions and authorities needed to make it accountable for effective control of water

SENSITIVE

resources, while continuing to use the discipline and experience of the Corps of Engineers as the construction agent of DNR.

We evaluated three options for handling water resources. Specifically, Option 1 would transfer to and consolidate in DNR the Water Resources Council and the policy, planning and budgeting functions of the three water development agencies. Detailed project design and construction functions of the Bureau of Reclamation and the Soil Conservation Service would be transferred to and consolidated in the Corps, which would become the government's water project construction arm.

This step would redefine the mission of the Corps, making it essentially a construction agency capable of performing work for DNR as well as other Federal agencies. The DNR would plan and budget for all water development activities. The Corps would act as construction agent under strong policy and review controls from DNR and would not be involved in new projects until a new start is approved by the Administration and Congress. The Corps would have an increased design and construction capability to undertake assignments for other agencies. Separating project planning from construction would reduce any incentives to generate plans to support a construction program. Although some inefficiencies may result from separating planning and construction functions, there would be net personnel cost savings of \$38 million annually. About 3,000 planners would transfer from the Corps to DNR and about 6,100 Reclamation and Soil Conservation Service construction personnel would transfer to the Corps.

The DNR would also exercise budget, planning and policy oversight of the operations and maintenance activities for completed water projects. To this end, the Corps would continue the day-to-day maintenance and operation of its projects (under DNR guidance), while the DNR would operate and maintain current Interior projects. This arrangement would be subject to future adjustment as DNR develops experience in this area. The Corps would also continue to process regulatory permits for dredge and fill activities and obstructions to navigation.

SENSITIVE

We evaluated other options for handling water resources.* For example, Option 2 is the same as Option 1, except that DNR would do its own operation and maintenance on all reservoir projects leaving primarily navigation operation and maintenance with the Corps. This option would involve the transfer of approximately 5,000 additional Corps' personnel to DNR and may excite more intense opposition in Congress.

Option 3 would retain the three water construction agencies and strengthen the Water Resources Council by providing an independent and full-time Chairman and making it the lead agency for water policy. The strengthened Water Resources Council would provide policy leadership, independent review of projects, coordination with States, and advice to OMB on budget proposals. This option would cause minimal organizational change and offers some improved management of water resources programs. In the past, however, interagency coordinating bodies have not been effective.

Exhibit III graphically depicts the resource and manpower transfers for a Department of Natural Resources.

Advantages of DNR

- ° The functions could be performed at the same levels with an estimated savings of \$146 million and 3,550 positions (obtained over several years). The bulk of these savings (3,350 positions and \$135 million) would result from merging similar functions, streamlining internal organization, unifying field systems, and improving service delivery. The remaining 200 positions and \$11 million would result from abolishing or curtailing unnecessary programs.

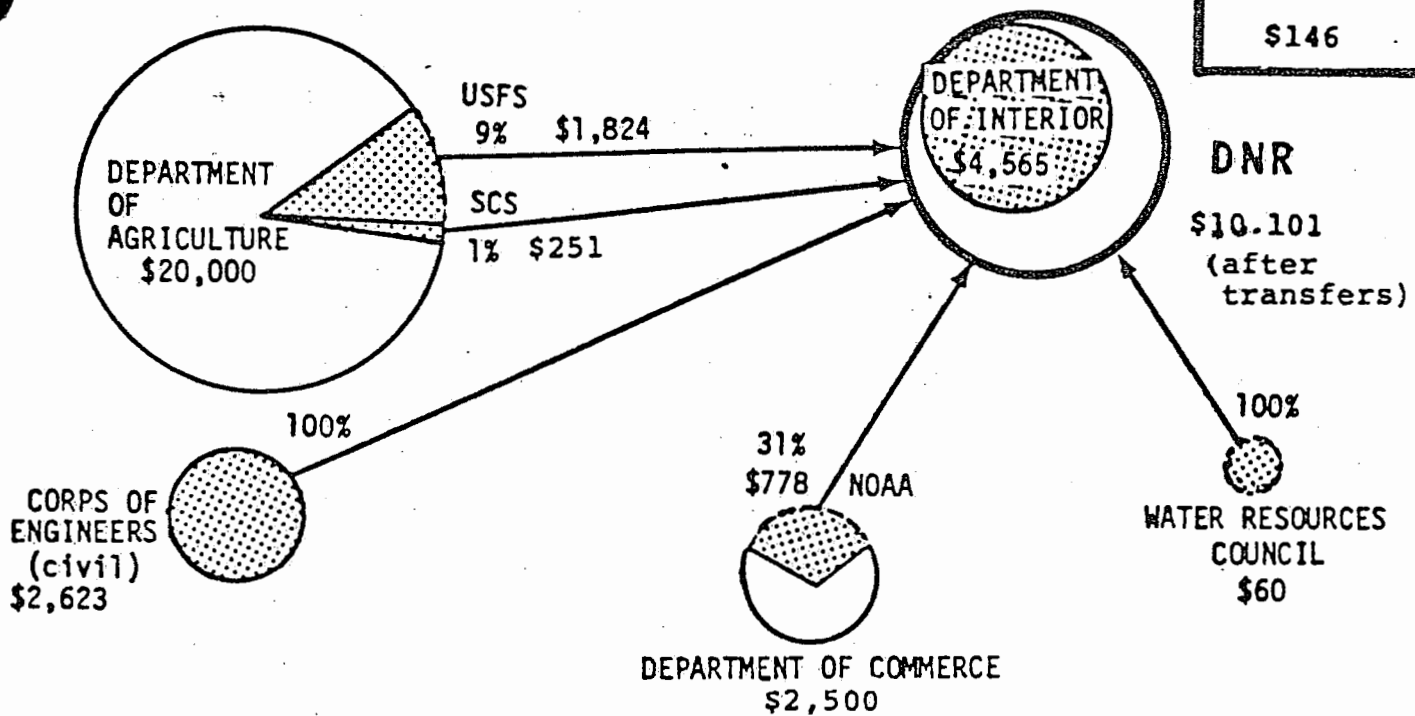
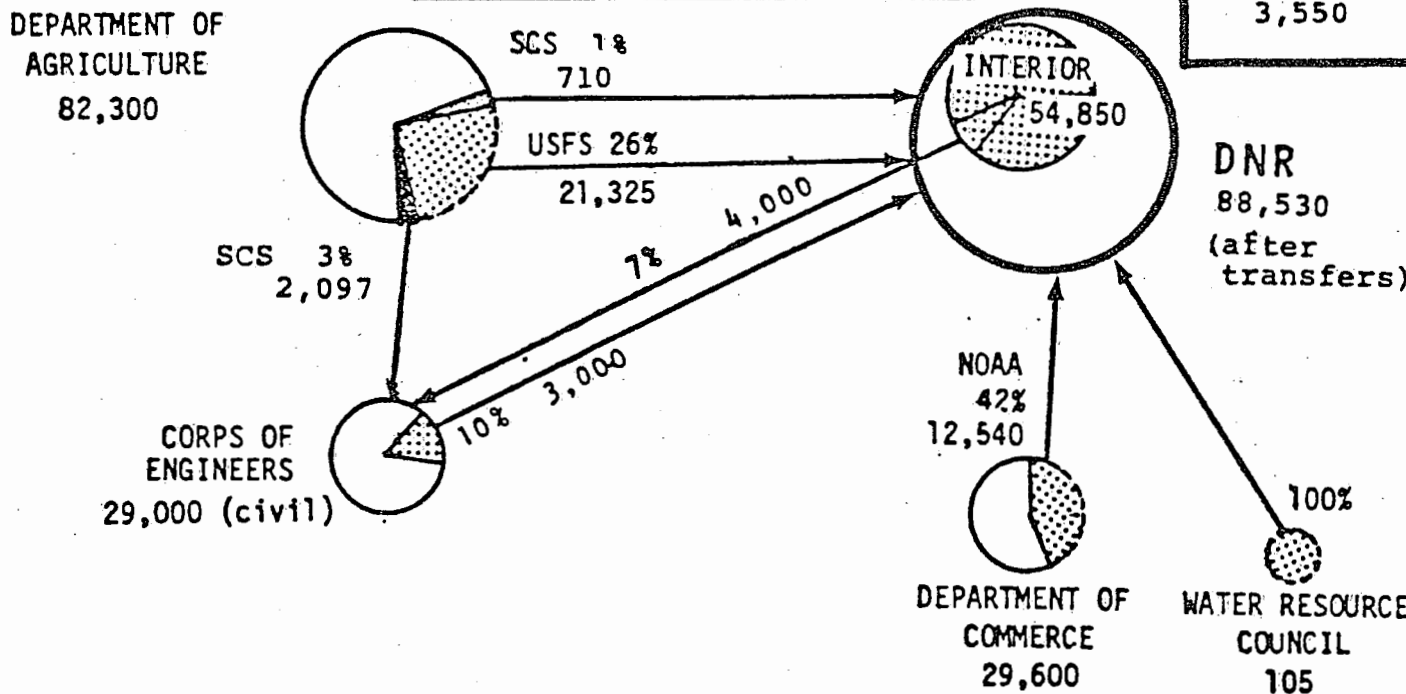
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A suboption that could be instituted with any of the water options would be to give the Department of Transportation a direct role in the planning of water projects that would significantly alter the existing navigation capacity of rivers and harbors. DOT and CEQ support this suboption. We make no recommendation at this time. It appears that an appropriate role for DOT in navigation projects can be prescribed by Executive Order.

DEPARTMENT OF NATURAL RESOURCES

BUDGET AUTHORITY BY SOURCE

(Millions)

PERMANENT POSITIONS BY SOURCE

FY 1979 ESTIMATES

- ° Services will be delivered better and faster. Public and commercial firms seeking mineral development, grazing, timber cutting or recreation use permits for Federal multiple-use lands will only have to deal with one agency instead of having to go to two different field office locations and meet two different sets of permit requirements and regulations. State and local governments in the West must now deal with two Federal land planning processes, review two sets of documents, and attend separate planning meetings in order to be heard. This extra coordination can be simplified with one land management agency. Consolidated mapping and charting services will make better data available to public and commercial users at lower cost.
- ° All natural resource management is highly related. For example, managing the public lands means managing the wildlife that live there, the water that runs over and off of them, the minerals beneath them and the trees that grow on them. Separating these forces of nature in the bureaucracy doesn't work.
- ° A more uniform science data collection system and exchange of research results would provide a better basis for informed decisionmaking.
- ° Policy and case decisions would be balanced better in an institution having an overview of all resource areas and a broad constituency spanning both development and conservation perspectives.

Disadvantages of DNR

- ° NOAA's programs, particularly fisheries, are economic development and food related as well as natural resource programs.
- ° Divesting the Corps' project policy, planning, and budgeting functions from construction functions might deprive the planners of construction expertise, and vice versa. The Corps might eventually have to redevelop a planning capacity.
- ° Separating the Forest Service from Agriculture would break the links between the agencies and force some farmers to deal with an extra department. The Forest Service is doing a good job where it is.

- ° Reorganization always causes short term disruption and costs, and would not eliminate the overlap and duplication completely.
- ° Some argue that having two or more agencies involved in natural resource management encourages creative competition and improved delivery of services and leads to better public information and participation in decisionmaking.
- ° Some environmentalists argue that one agency might not be able objectively to resolve conflicts regarding use of natural resources; negotiation among Cabinet level officials may produce a better result.

C. Other Alternatives Considered

We considered four other alternatives and consulted widely on them.

(a) Department of Agriculture and Renewable Resources --

This option would consolidate USDA's land and water functions, primarily the Forest Service and Soil Conservation Service, with public land management, water resources, and ocean fisheries from other departments. Consolidating in Agriculture would appear to give a greater production emphasis to resource management. For example, development, marketing and use of fish as a food source would become a primary focus of the ocean fisheries program. Merging the Bureau of Land Management and the Forest Service would solve the problems associated with having two separate land management agencies and build on the Forest Service, the stronger of the two units. Agriculture has experience both in managing public lands and assisting private owners with private land management. Interior has experience with public land only. On the other hand, public lands are managed for many uses other than the production of food and fiber emphasized by Agriculture. Federal responsibility for those other uses, such as mineral development and management of fish and wildlife, would remain in Interior and continue the fragmentation in these areas.

(b) Improved Coordination Without Major
Realignment --

This option would retain the existing inter-agency structure and establish a Natural Resources Council, or individual councils for land, water, and oceans to develop policy and coordinate actions. This option would avoid disruption but would create additional layers of government, especially in the Executive Office. Accountability would be confused, and previous attempts to rely on coordination alone have been poor.

(c) Department of Natural Resources and
Environment --

This option would join most natural resource management programs, plus environmental regulatory programs of the Environmental Protection Agency (EPA). It is not feasible because EPA's jurisdiction goes well beyond resource management to include regulation of many other areas, such as urban and industrial wastes. EPA is increasingly oriented toward public health.

(d) Department of Oceans and Atmosphere --

A Department of Oceans and Atmosphere would be responsible for oceans, coastal and atmospheric affairs, and would consolidate the bulk of the programs associated with those activities (except for military programs). The Department would include the National Oceanic and Atmospheric Administration (NOAA) and the Maritime Administration from Commerce and the U.S. Coast Guard from Transportation. The option would recognize the growing importance of the oceans and ocean resources to the Nation. It would also improve coordination among Federal activities relating to the oceans. However, the Department addresses only a part of the total natural resource issue and would leave other fragmented resource areas unaddressed.

Agency Comments

"Commerce believes that the proposed DNR lacks a clear policy focus, in that it would be neither a resource development agency nor a resource conservation agency. It states that the concept fails to view natural resources problems as economic and social issues as well as biological and ecological issues. Commerce also believes that NOAA is working well at Commerce and that DNR will be primarily a

land and water use agency and, therefore, not the best home for NOAA. Finally, Commerce believes that the full benefits of the concept cannot be obtained without consolidating policy and regulatory authorities not now included in the proposal (such as those of the Coast Guard and EPA). Accordingly, the Commerce position is that oceanic and atmospheric functions should not be included in the proposed DNR."

"Army addresses only the Water Development Option and favors Option 3, a strengthened Water Resources Council. It believes that with strong leadership, and the new water policy in place, coordination would work and would be a less costly alternative. Army believes that the recommended option would jeopardize politically the implementation of other water policy reforms; that the loss of planning functions would handicap the Corps, particularly in giving military support during times of emergency, and in recruiting; and that the change would result in delays and increased project costs. Army argues that divesting water project planning will deprive future project planners of lessons learned in the design, construction and operation of existing ones. The Corps would have to reacquire at least 650 of the 3,000+ 'planners' listed under Option 1 in order to effectively link planning with design and construction, and to maintain the skills necessary to discharge any remaining regulatory responsibilities. Army also believes that separating budget and management responsibilities for operations and maintenance conflicts with fundamental principles of ZBB."

Defense concurs with Army and notes that total consolidation of water resources functions in DNR would be particularly detrimental to the Corps' defense related functions.

Office of Science and Technology Policy supports the DNR and believes that it should be accorded priority among the domestic proposals. OSTP believes that science and technology will be strengthened through consolidation of atmospheric and ocean activities with related land activities. OSTP notes that the internal alignment of programs within the Department would have to be carefully devised reflecting scientific concepts. With respect to water resources functions, OSTP prefers complete consolidation of planning, budgeting, construction and maintenance activities in DNR.

The Council on Environmental Quality supports the DNR and believes the water resources recommendation is particularly important, both in solving current problems and in providing the Corps a new mission. CEQ supports the option of giving operation and maintenance responsibility for

reservoir projects to Interior. CEQ believes that DNR should have clear authority to deal with private land use protection and conservation issues; that a "Life Sciences Center" should be formed to provide scientific opinion on ecological issues; that the Corps' navigational transportation functions should be transferred to the Department of Transportation; and that Energy Department responsibilities for regulating energy minerals leasing activities should be a part of DNR.

Justice supports the DNR concept, but believes that the water resources option will not give DNR sufficient control over the Corps, in view of its close relations with the Public Works Committees. It also warns that BLM should not be allowed to downgrade the Forest Service professionalism.

Transportation recommends that they be given a controlling role for any navigation project that would significantly expand or extend the present water transportation system. Approximately \$10 million and 40 personnel should be transferred from the Corps to DOT. This would permit tradeoffs between all transportation options -- rail, highway, pipeline and waterway -- and ensure the maximum utility of Federal investments.

Agriculture believes that the Forest Service and BLM should be combined and that the resulting agency should be built around the Forest Service. The new agency should be placed so as not to diminish its contribution to national productivity. Agriculture takes no position on where the new agency should be located. Agriculture supports the portion of the recommended water resources option that would merge water policy and planning functions, but opposes the portion that would merge construction functions in the Corps.

"Energy supports the principle of natural resources consolidation but believes that there should be a more critical review of the functions whose performance must be improved by the proposed reorganization, and that such a review might well alter the proposed organization. Specifically, DOE is concerned that management of non-renewable resources (energy and minerals) should be given more attention in the proposed DNR, that energy leasing and regulatory functions should be streamlined, and that Energy and other affected agencies should continue to be involved in major water resource decisions."

Labor supports DNR and finds the arguments for it compelling, but believes it will be difficult politically.

The Environmental Protection Agency supports the DNR, and believes that the dredge and fill permit program should either remain with the Corps or be transferred to EPA.

Interior strongly supports the DNR concept and most of the recommendations. However, Interior believes that moving to DNR all water-related planning, budgeting, construction, operation and maintenance of the Corps and Soil Conservation Service would be preferable if attainable. Recognizing the political difficulties with full consolidation, Interior believes that, in addition to the transfers in Option 1, the operation and maintenance of Corps' reservoirs should be consolidated with the Bureau of Reclamation's reservoirs in DNR. Interior believes that the Energy minerals leasing regulatory functions should become a part of DNR.

Decisions

- (1) Should additional functions be grouped with Interior to form a Department of Natural Resources, including all of Interior, the Forest Service, and NOAA?

☐ Yes, include all recommended programs (OMB, Interior, OSTP, CEQ, EPA recommend; Justice, Energy support in principle)

☐ Yes, but do not include Forest Service

☐ Yes, but do not include NOAA

☐ No (Commerce recommends)

- (2) If you have chosen a DNR, how should water resources be handled?

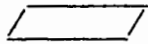
Option 1:

Have DNR be responsible for all water resources programs including development of water policy, pre-authorization and pre-construction planning, budgeting and funding for all projects and maintenance and operation of completed facilities; have the Corps serve as design, construction, maintenance and operations agents for DNR (except for the maintenance and operation of Bureau of Reclamation projects). Move construction personnel from the Bureau of Reclamation and the Soil Conservation Service to the Corps.
(OMB recommends)

☐

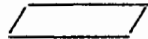
Option 2:

Same as Option 1, except that DNR would do its own operation and maintenance on all reservoir projects, transferring 5,000 people from the Corps to DNR. It would leave navigation operation and maintenance with the Corps. (Interior and CEQ recommend)



Option 3:

Strengthen the Water Resources Council primarily by providing an independent and full time Chairman, but make no program transfers among agencies. (Army, Defense recommend)



II. Development Assistance

A. The Problem

This country continues to experience subnational development problems that jeopardize the fulfillment of our national economic goals. These problems take the form of (1) large pockets of chronically unemployed people left behind by changing economic circumstances in urban and rural areas; (2) inadequate public and private facilities in rural areas and small towns, and deteriorating infrastructure in cities; (3) disruptions caused by such factors as base closings, regulatory actions, rapid growth, the decline of particular economic sectors, changes in transportation or production technology, and trade pressures.

Macroeconomic policies are too broad to address these sub-national problems without adversely affecting the national economy. Nor do outright cash transfers provide a long-term solution, since they generally fail to affect the underlying causes of distress and thus increase local dependence on the Federal Government.

What is needed, as reflected in your urban message and elsewhere, is a development approach aimed at strengthening the long-term social and economic base of local areas and encouraging private job creation.

To be effective, such an approach requires:

- ° harnessing a critical mass of the limited resources available;
- ° using a variety of development tools, especially business assistance, public facilities, planning, and housing;
- ° streamlining program delivery to permit timely decisions;
- ° involving different levels of government and the private sector;
- ° taking account of the increasing interdependence of urban and rural areas; and
- ° creating a solid analytical capacity to identify problems, formulate responses, and evaluate results.

Unfortunately, however, the organization of Federal development assistance programs diverges from what is needed in almost every respect:

- ° Programs and resources are severely fragmented

Economic development assistance is splintered among ten programs in five agencies: (Economic Development Administration (EDA); Department of Housing and Urban Development (HUD); Farmers Home Administration (FmHA); Small Business Administration (SBA); and Community Services Administration (CSA)). The proposed National Development Bank would create a sixth.

Community facilities assistance is scattered among three agencies (HUD, FmHA, EDA) and the Title V Regional Commissions.

Seven programs in three agencies (HUD, EDA and FmHA) and the Title V Regional Commissions provide funds for development planning.

Exhibits IV and V describe these programs and depict the organizational fragmentation. Exhibit VI shows the confusion faced by State and local officials who seek development assistance.

- ° Program procedures differ

Each of these programs has its own funding cycle, planning requirements, eligibility standards, and application process, making coordinated use of Federal tools difficult.

- ° Delivery systems diverge widely

HUD, EDA, and FmHA use different delivery systems, even though they provide almost identical forms of aid to many of the same communities. For example, EDA relies on regional offices and a network of multi-county development districts while HUD operates from regional offices, area offices, insuring offices and valuation stations. Communities must therefore go not only to different agencies, but to different cities to get the assistance they need.

Different agencies also make different uses of State and local governments. For example, Title V

COMMUNITY AND ECONOMIC DEVELOPMENT PROGRAMS

EXHIBIT IV

Department or Agency	Program	Client	1979 Budget Authority Enacted (Millions)	1979 Loan Authority (Millions)	1979 ^{1/} Personnel	Mission
HUD	UDAG	All communities meeting "distressed" criteria	\$ 400		78	Fosters economic development in distressed cities and urban counties.
	CDBG Entitlement	States, communities, local public bodies	2,652		709	Promotes development of viable communities.
	CDBG small cities 701 Plan		657			
	701 Planning & Research	States, area wide planning agencies	111		270	Strengthens planning capabilities for community and economic development.
Commerce*	Housing	Private developers, local housing authorities, individuals	26,859		8,660	Promotes decent housing and a suitable living environment.
	EDA I, III, IV, and IX	States, counties, communities, meeting "distressed" criteria	396		756	Assists distressed areas in increasing or retaining private sector job opportunities.
	EDA Title II	Business in "distressed" areas	96.5	334	63	Encourages or maintains private sector job opportunities in distressed areas.
	EDA Trade Adjustment Asst.	Bus. injured by import competition	95	212	11	Allows firms to adjust to import competition.
	Title V Commissions	States in Title V Regions	63		94	Promotes economic development of "lagging" regions.
Agriculture	FmHA (Com. Facilities & Waste Disposal)	States, political subdivisions which serve rural areas	637.9 ^{2/}	1,150	435	Promotes development of viable rural communities.
	FmHA (Bus. & Industrial Loans)	Business in rural areas		1,100	210	Facilitates development of private business to improve the economy of rural communities.
	FmHA (Indust. Dev. Grants)	Public bodies in rural communities	10			Facilities development of private business to improve the economy of rural communities.
National Development Bank		Local development authorities (for businesses) in distressed areas	3,530**	3,665**	263**	Encourages and assists the retention and development of permanent private sector job opportunities and private sector investment in distressed areas.
SBA	Sec. 501, 502	State and local development corporations	32	95	14	Encourages economic growth and prosperity in States and communities.
CSA	Community Economic Development	Community Development Corporations	48		42	Encourages development in urban and rural low income areas.

*Excludes Steel Loan Guarantee Program, funded with carry-over funds of \$96M.

**Proposed for 1980.

^{1/} PFT personnel except FmHA which represents man-year equivalent of staff time.
^{2/} BA for grants and loans.

DECEMBER 1978

FEDERAL ASSISTANCE FOR ECONOMIC AND COMMUNITY DEVELOPMENT

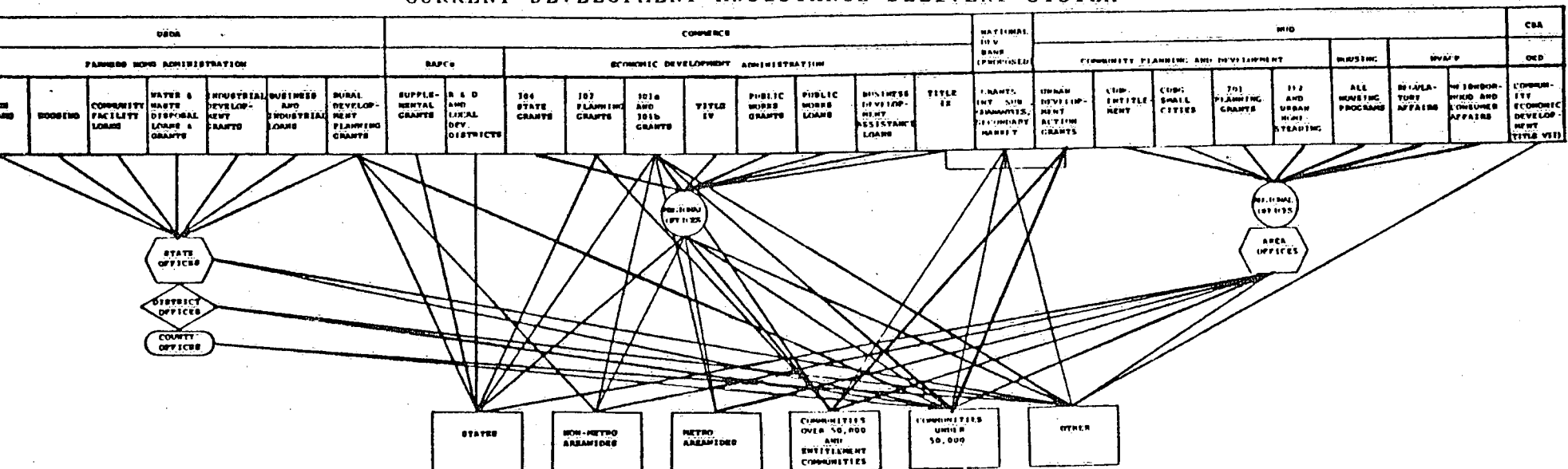
EXHIBIT V

Agency	Planning Assistance	Economic Development		Technical Assistance	Community Development
		Economic Development Loans	Economic Development Grants		
EDA	Provides grants to develop the comprehensive planning capabilities of State and local governments, multi-county development districts, and EDA designated small geographic areas.	Provides business loans and guarantees to firms that can demonstrate that jobs and income will be created or saved and that there is a reasonable assurance of repayment.	Provides grants for public works activities, resolving local loan funds and operation of a variety of local, area state and multi-state economic development projects.	Provides direct Technical Assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development public works grants and loans, planning assistance, and technical assistance.
HUD	Provides grants to develop the comprehensive planning capabilities of State and local governments, and multi-county area planning areas.	None	Provide grants for business-related public works activities and the operation of a variety of local, state and multi-state economic development projects via UDAG and CDBG.	Provides direct Technical Assistance and grants to a diverse group of State, local public and private institutions, universities, firms, and professional associations.	Provides community development funds for public works planning assistance, technical assistance and operational funds.
SBA (Only Sections 501 & 502 Industrial Loan Programs)	None	Provides via State and local Development Companies funds for business loans and guarantees to firms that can demonstrate that jobs and incomes will be created or saved and that there is a reasonable assurance of repayment.	None	Provides management and technical assistance to small businesses and funds university centers.	None
PSHA (Only Rural Development Programs)	Provides grants to develop the comprehensive planning capabilities of rural communities and multi-county planning bodies. This is provided via the PSHA III program and through the Soil Conservation Service's Research, Conservation and Development Program.	Provides loan guarantees to firms that can demonstrate that jobs and incomes will be created or saved and that there is a reasonable assurance of repayment; rural areas only.	Provides grants to rural areas for development of industrial parks.	Through an extensive field delivery system, an in-depth technical assistance program is made available to State, local public and private institutions, firms and associations.	Provides community development grants for water and waste disposal systems and loans for an assortment of community facilities.
CSA (Only Community Economic Development Programs)	None	None	Provides grant funds to Community Development Corporations which use these funds for investment in for profit businesses that provide employment opportunities.	Provides grant funds to Community Development Corporations which use these funds for provision of Technical Assistance.	Provides grant funds to Community Development Corporations which use these funds for Community Development activities.
Title V Regional Commissions	Provides grants to develop the comprehensive planning capabilities of State Govts. and multi-county planning bodies and development districts, plus special planning activities of the Multi-State Regional Commissions. This is provided via Title V of the Public Works and Economic Development Act of 1965.	None	Provide supplemental public works grants to other basic programs and grants to conduct special demonstration projects of a varied nature.	Provides direct Technical Assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	Provides supplemental grants and demonstration projects, planning assistance and technical assistance.
National Development Bank (proposed)	None	Will provide loans, guarantees, and selected subsidies to firms that demonstrate that jobs and incomes will be created or saved and that there is a reasonable assurance of repayment.	Provide grants to businesses as a subsidy to influence their location decisions.	Will provide direct Technical Assistance and grants to State and local governments, multi-state development organizations, private firms and professional associations.	None

Source: President's Reorganization Project

EXHIBIT VI

CURRENT DEVELOPMENT ASSISTANCE DELIVERY SYSTEM



Regional Commissions rely on the States for development planning and programming, while HUD and EDA largely bypass the States.

° Authority does not match responsibility

Agency responsibilities are split along both geographical and functional lines so that Cabinet secretaries often lack program authority to carry out their responsibilities. No Cabinet official has the authority to devise and carry out overall development policies.

For example, although USDA has the rural development lead, 75 percent of development grant funds to rural areas are in HUD and Commerce. Commerce, which has major economic development responsibilities, spends most of its EDA funds on public facilities, while HUD, which has major community facilities responsibilities, spends more on economic development projects through its Urban Development Action Grant (UDAG) and Community Development Block Grant (CDBG) programs than all of EDA.

This fragmentation causes major administrative and programmatic problems, including:

° Confusion and excessive administrative burden and cost at the State and local level

Separate regulations, requirements, and management procedures cause confusion at the local level, particularly when projects involve a mix of housing, economic development and community development, as they often do. Small cities and rural areas, in particular, complain that only cities with extensive and costly grantsmanship operations can sort out the maze and get adequate development funding.

° Limited ability to involve the private sector

The number of agencies and procedures to be followed for packaging complex projects results in long lead times before projects can get underway. One agency's refusal can jeopardize the project, making businesses reluctant to get "tied up" in government red tape.

° Inefficient use of Federal personnel and resources

Opportunities to save administrative costs are being lost. In fact, there is a trend toward further waste and overlap. Three agencies are expanding staffs to conduct similar economic development functions (FmHA, HUD, and EDA). The National Development Bank will require the same skills. HUD, EDA, and FmHA are reviewing plans and applications from the same communities, often for the same project. Coordination can help, but it is costly and wasteful and seldom provides a long term solution.

° Unnecessary rigidity in the system; lack of flexibility to respond to local needs and opportunities; inability to pool and focus limited funds

Each categorical program has a slightly different viewpoint, targeting criteria and requirements. Each community must attempt to tailor its strategy to react to the changing mix of often narrow and not always consistent agency viewpoints and funding levels.

° Lack of policy focus and direction

Fragmented programs and agency responsibilities make it difficult to devise and implement coherent national policies. No one agency can formulate development strategies that balance the needs of urban and rural areas or set priorities among different types of development tools.

° Difficulties in comparing and evaluating the effectiveness of different approaches

Wide variations in data collection and interpretation among programs and agencies hamper evaluation. No agency can evaluate the total impact of development assistance programs.

° Gaps and overlaps in geographic coverage

Gaps and overlaps result from the widely different definitions of urban and rural used in different programs and the presence of three different agencies (HUD, EDA, and FmHA) providing virtually identical kinds of assistance to smaller communities.

B. Issues

Three key substantive issues underlie decisions on how to organize Federal development assistance programs:

1. Whether to separate community development and economic development programs

Two types of Federal assistance are available to help revitalize local communities: (1) community development assistance to States and localities to improve basic community facilities, rehabilitate housing, provide certain needed services to the poor, and carry out such functions as code enforcement; and (2) economic development assistance to communities and private businesses to encourage job retention or creation through investment in needed public facilities or direct loans to businesses .

Although these two types of assistance serve somewhat different purposes, the overlap between them is substantial and local officials often do not distinguish between them in practice. Much of the "economic development" assistance goes for basic community facilities of the sort eligible for funding under the "community development" programs (water and sewer lines, land acquisition, street improvements, etc.). Similarly, a sizeable share of the "community development" funds are used for business assistance purposes (feasibility studies, revolving loan funds providing financial assistance to private companies, public facility investments supporting new business expansions, etc.).

Because the activities funded by these two sets of programs are so similar, and because successful projects frequently require both, there is a strong argument for colocating them to provide one stop shopping for governors, mayors and other officials. The major counter argument is that colocating economic development with broader purpose community development programs might divert economic development funds from job creation efforts.

2. Whether to separate economic development assistance to business from economic development assistance to State and local governments

You may wish to combine economic development and community development, but separate assistance that

goes directly to businesses to encourage them to locate in distressed areas from assistance that goes to governmental units for the same purpose. The basic argument for this division is that the technical skills and outlook required to provide assistance to businesses differ markedly from those required to assist the public sector. The major argument against this separation is that most local projects require a combination of public and private assistance and the separation would make it more difficult to forge public-private partnerships to promote development deals. Public economic development assistance is often passed through to businesses through loans or other activities for the same uses as direct business assistance. In addition, the economic development aid to business is different from other types of business assistance since it is designed chiefly to encourage and aid business involvement in efforts to help lagging local areas rather than to subsidize business in general.

3. Whether to separate urban and rural development programs

The community and economic development programs for rural areas in the Farmers Home Administration duplicate many of the programs in HUD and EDA, both of which operate community development and economic development programs in both urban and rural areas. The major argument for making this urban-rural division is that the needs and capabilities of communities differ in urban and rural settings, requiring different programs and delivery systems. The major argument for merging urban and rural programs is that it is hard to draw a clear line between urban and rural areas. In addition, the development problems of urban and rural areas are highly interrelated.

C. Principal Alternatives

Option 1: Group major Federal community and economic development assistance and some housing programs for urban and rural areas into a Department of Development Assistance; streamline and consolidate Federal development assistance programs.

This option would combine in a single department a core set of development tools available to governors, mayors, and other public and private

officials seeking to revitalize local areas and attract jobs and businesses. It is based on the view that effective economic development promotion requires a public-private partnership and the coordinated use of a variety of development tools -- especially public facilities, business assistance, and housing. It also takes account of the interdependence of urban and rural areas and the difficulty of drawing a sharp division between the two. The Department of Development Assistance would become the focal point of Federal efforts to encourage the long-term viability of States, regions, and local areas of all sizes and the agency responsible for formulating balanced development policies and programs. Within the department, economic development programs would be kept distinct from community development and housing to ensure that they do not lose their jobs creation focus. The internal organization would provide special representation for rural and urban concerns and take account of the special delivery system needs of small towns and rural areas. The option embodies not only organizational changes, but also a number of program consolidations that the organizational changes make possible.

Organizational Changes

The following program authorities would be included in the Department of Development Assistance (DDA):

<u>Current Agency</u>	<u>Programs</u>
Commerce	Economic Development Administration, all programs; Title V Regional Commissions
Department of Agriculture: Farmers Home Administration	Community facilities, water and sewer, and Business and Industry Loan programs
HUD	All programs
SBA	Section 501 and 502 programs
National Development Bank (proposed)	All programs
Community Services Administration	Community economic development program

Exhibit VII depicts the transfer of resources and personnel associated with this option. Exhibit VIII shows general placements in the resulting department. Exhibit IX shows the streamlined development assistance delivery system.

Program Changes

This option would make possible a number of program changes that would streamline further the Federal development assistance programs. All of these program changes would require separate legislation and could be pursued simultaneously with the organizational changes or be phased in over a period of time.

Consolidated Economic Development Assistance Program

Combine 12 individual economic development grant and loan programs into:

- (1) a consolidated economic development grant program (EDA Title I, IV, IX, Secs. 301(a) and 304; HUD UDAG; FmHA Industrial Development Grants);
- (2) a consolidated economic development loan program building on the proposed National Development Bank. (National Development Bank programs; EDA Title II Business loans; FmHA Business and Industry loan guarantee program; SBA 501 and 502 loans to State and local development corporations.)

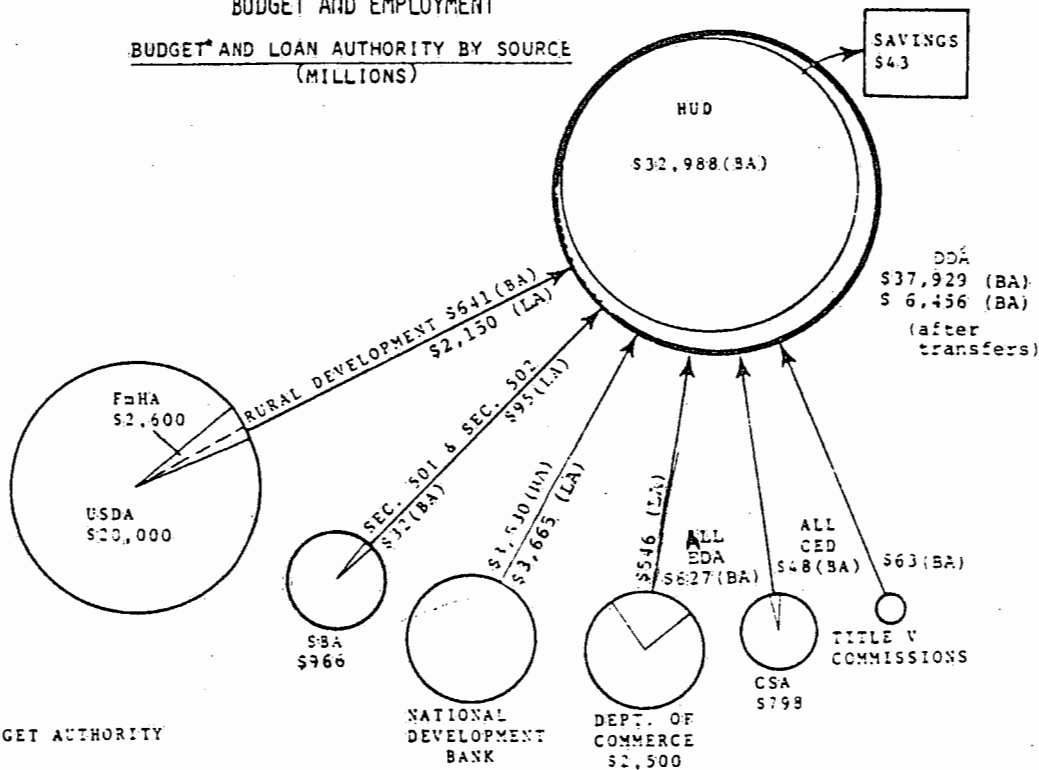
Both of these would be discretionary programs. Separate urban and rural allocations would be provided. The consolidated program could be introduced as the Administration's EDA reauthorization bill, which comes up this year. Both programs would be administered by an expanded EDA, which would be one of the core units in the DDA.

Planning Assistance and Planning Requirements

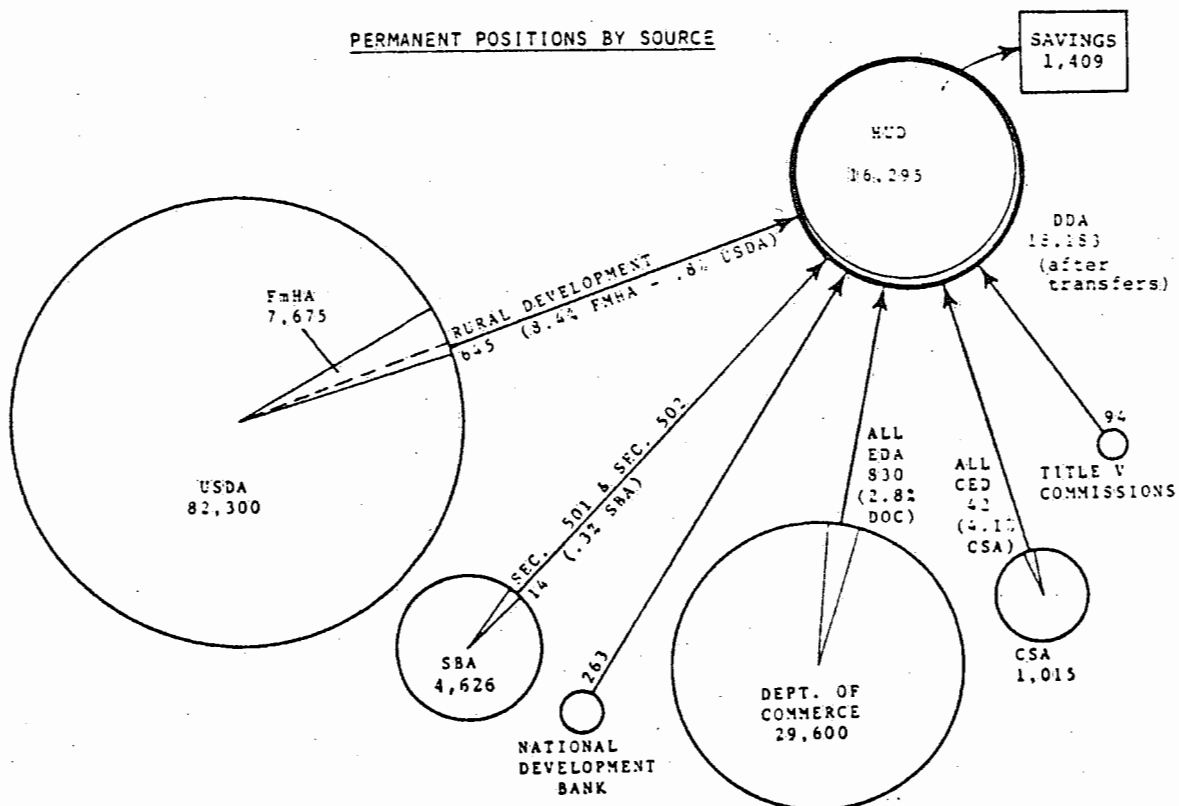
Replace six of the existing development planning assistance programs (EDA 301(b), EDA 302 (a)(b); HUD 107, 701; FmHA 111) with a single program that would fund an integrated development priority-setting process. Existing planning requirements of the programs within the DDA, as well as some programs left outside it (e.g., transportation, EPA water and sewer, and employment and training) would then be changed to respond to these priorities and to reduce overlapping planning requirements.

EXHIBIT VII

DEPARTMENT OF DEVELOPMENT ASSISTANCE BUDGET AND EMPLOYMENT BUDGET* AND LOAN AUTHORITY BY SOURCE (MILLIONS)



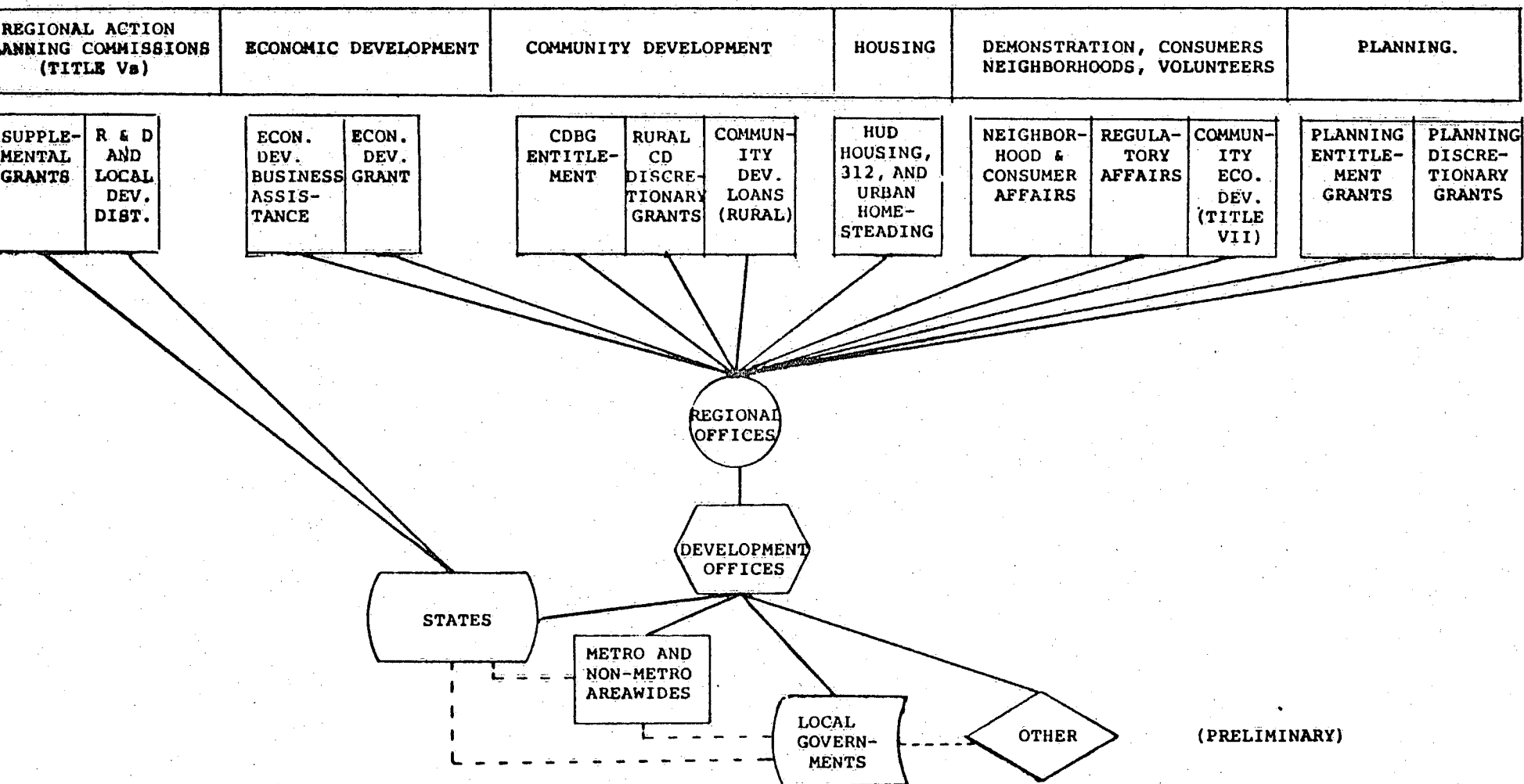
PERMANENT POSITIONS BY SOURCE



DEPARTMENT OF DEVELOPMENT ASSISTANCE (Option 1)
(Major Program Divisions)

<u>Planning Assistance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>Community Development</u>
HUD 701, 107	Federal Housing Administration	SBA (Sec. 501, 502 Development Loans)	HUD (Community Development Block Grants and Sec. 312 Rehabilitation Loans)
FmHA (111 program)	Government National Mortgage Assn.	FmHA (Business and Industrial Loans, Industrial Development Grants)	FmHA (Community Facilities, Water and Waste Disposal)
Title V Commissions (planning funds)		National Development Bank	
Economic Development Administration (Sec. 301 (b), 302)		EDA (all programs)	
		Community Services Administration (Community Economic Development)	
		HUD (Urban Development Action Grants)	
		Title V Regional Commissions	

DEPARTMENT OF DEVELOPMENT ASSISTANCE



Rural Development

Create a unified, flexible and more efficient rural community facilities program by merging four existing programs into two:

- ° One for rural community development loans (FmHA water and waste disposal and community facilities loans); and
- ° one for rural community development grants (FmHA water and waste disposal grants, and Community Development Small Cities Grants).

The two programs would be administered by a rural community development unit that would form part of the core of DDA.

Option 2: Group major Federal community and economic development programs to the public sector into a Department of Development Assistance; group programs providing development assistance to the private sector in the Department of Commerce; streamline and consolidate Federal development assistance programs

This option would combine community and economic development programs for urban and rural areas, but would separate those program providing development assistance to States, local governments and other public bodies from those providing development assistance directly to businesses. The public sector programs would be combined in a Department of Development Assistance built on HUD.

Organizational Changes

The proposed Department of Development Assistance would include the following programs:

<u>Current Agency</u>	<u>Program</u>
HUD	All programs
Commerce	EDA: (all programs except Title II business loans, Title III Technical Assistance grants to business, Trade Adjustment Assistance); Title V Commissions
USDA: Farmers Home Administration	Community facilities, water and sewer, Industrial Development grants

The following programs would be added to the Department of Commerce:

<u>Current Agency</u>	<u>Program</u>
USDA: Farmers Home Administration	Business and Industry Loans
SBA	Sections 501 and 502
CSA	Community Economic Development Program
National Development Bank (proposed)	All programs

Program Changes

This option would also make possible the consolidation of economic development grant and loan programs, planning assistance programs, and rural community facilities programs. However, the development planning function would be organizationally separated from the private sector economic development programs, and the consolidated economic development grant program would be organizationally separated from the consolidated economic development loan programs.

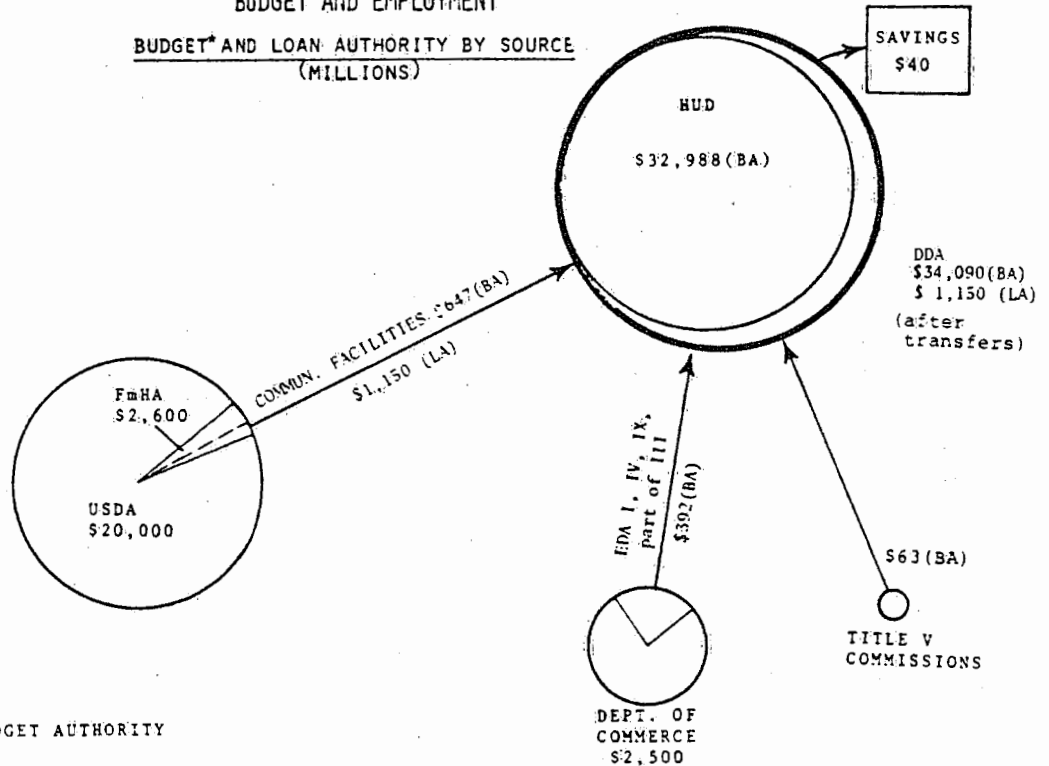
Exhibits X and XI depict the transfer of resources and Exhibits XII and XIII show the resulting organizations.

Option 3: Group Federal economic development programs for urban and rural areas in the Department of Commerce leaving community development programs in HUD and Agriculture; streamline and consolidate economic development assistance programs

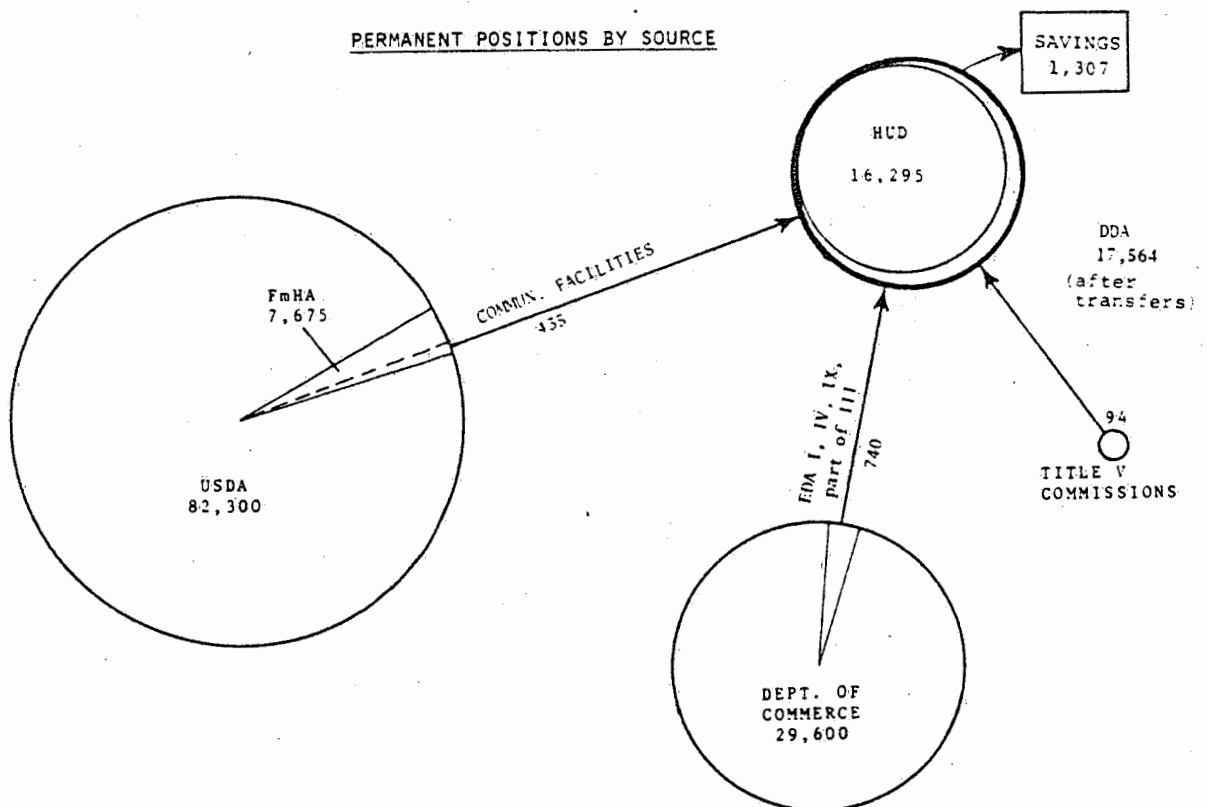
This alternative would make a sharp division between economic development programs (both those providing aid directly to businesses and those providing aid to businesses through public entities) and community development and housing programs. It is based on the presumption that economic development and community development are fundamentally different, and that economic development programs must be closely tied organizationally with business related functions in the Commerce Department rather than with the other community revitalization and public facilities programs in the Departments of HUD and Agriculture. It would differ from Option 1 by separating both kinds of economic development programs from the community development and housing programs in both HUD and FmHA. It would differ from Option 2 by

EXHIBIT X

DEPARTMENT OF DEVELOPMENT ASSISTANCE BUDGET AND EMPLOYMENT BUDGET* AND LOAN AUTHORITY BY SOURCE (MILLIONS)

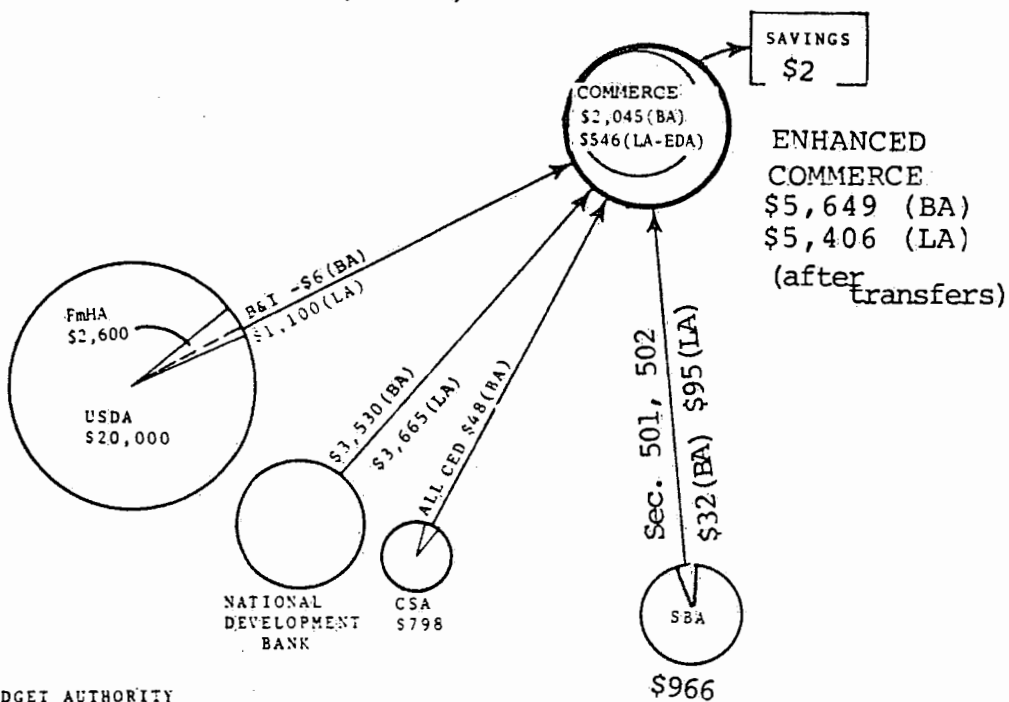


PERMANENT POSITIONS BY SOURCE



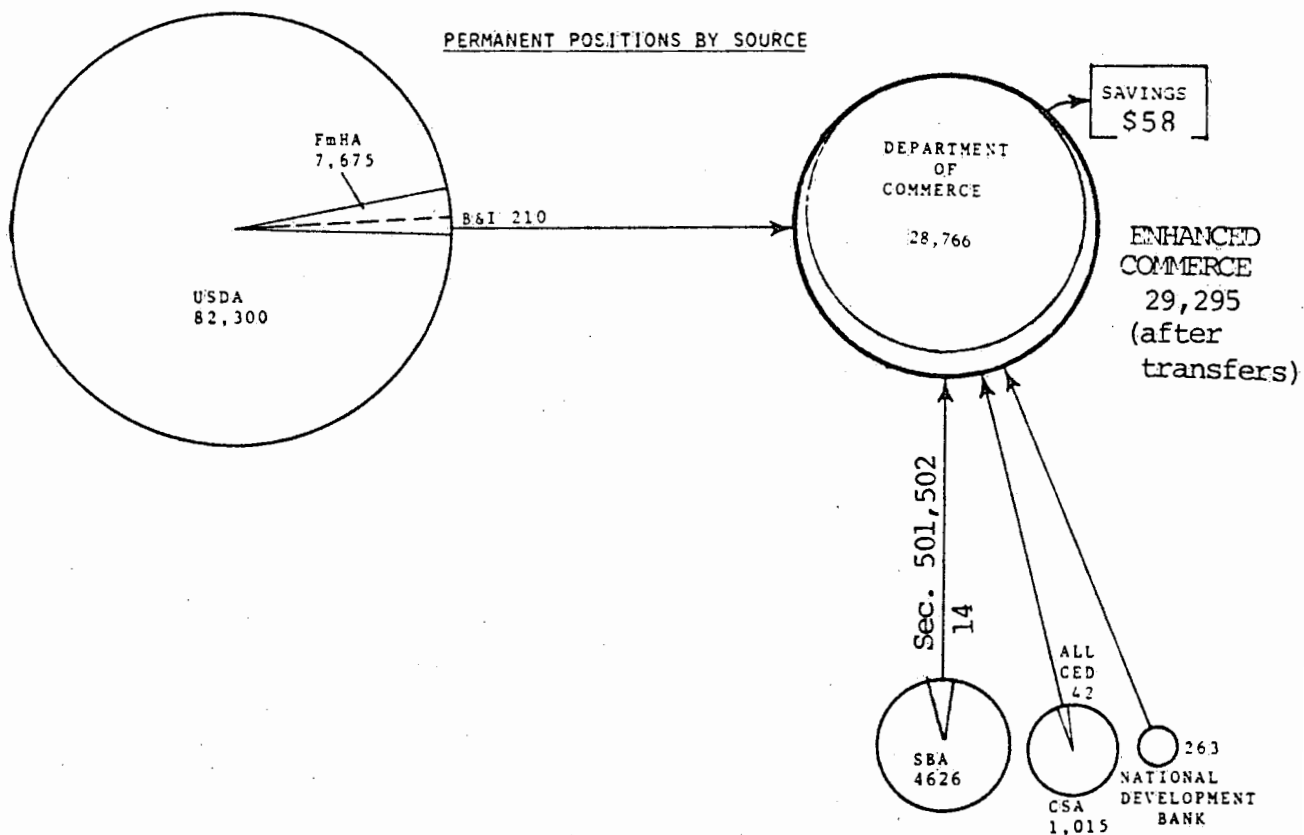
AN ENHANCED DEPARTMENT OF COMMERCE BUDGET AND EMPLOYMENT

BUDGET* AND LOAN AUTHORITY BY SOURCE
(MILLIONS)



*1979 BUDGET AUTHORITY

PERMANENT POSITIONS BY SOURCE



DEPARTMENT OF DEVELOPMENT ASSISTANCE (Option 2)

<u>Planning Assistance</u>	<u>Housing</u>	<u>Economic Development</u>	<u>Community Development</u>
HUD 701, 107	Federal	Economic Development	HUD (Community Develop-
FmHA (111 program)	Housing	Administration	ment Block Grants and
Title V Commissions	Administra-	(Grants to public	Sec. 312 Rehabilitation
(planning funds)	tion	entities)	Loans)
Economic Development	Government	FmHA (Industrial	FmHA (Community Facilities,
Administration	National	Development Grants)	Water and Waste Disposal)
(Sec. 301(b), 302)	Mortgage	HUD (Urban Develop-	
	Assn.	ment Action Grants)	
		Title V Commissions	

AN ENHANCED DEPARTMENT OF COMMERCE (Option 2)

<u>Trade</u>	<u>Technology</u>	<u>Statistics</u>	<u>Business Development</u>	<u>Economic Development</u>
Industry and Trade Adminis- tration (Trade Activities)	National Bureau of Standards Patent Office	Bureau of Census Bureau of Eco- nomic Analysis	Office of Minority Business Enterprise Industry and Trade Administration (business services)	SBA (Sec. 501, 502 Development Loans) National Development Bank FmHA (Business and Industrial Loans) Community Services Administration (Community Econo- mic Development) Economic Development Administration (Grants and Loans to Business)
Maritime Administration (Additional trade functions to be determined)	National Techni- cal Information Service National Telecom- munication and Information Administration			

locating in Commerce not just the economic development programs providing aid directly to businesses, but also the economic development programs providing aid to businesses indirectly through State and local governments.

Organizational Changes

The expanded Department of Commerce and Economic Development would include the following additional programs in Commerce.

<u>Current Agency</u>	<u>Program</u>
HUD	UDAG
Agriculture: Farmers Home Administration	Business and Industry Loans; Industrial Development Grants
Community Services Administration	Community Economic Development program
SBA	Section 501 and 502
National Development Bank (proposed)	All programs

A limited form of this option would locate all these programs except UDAG in Commerce. UDAG will be due for re-authorization in 1980 and a decision on its ultimate placement would be deferred until then.

Exhibits XIV and XV depict the transfer of resources and the resulting organization of the Department of Commerce and Economic Development.

Programmatic Changes

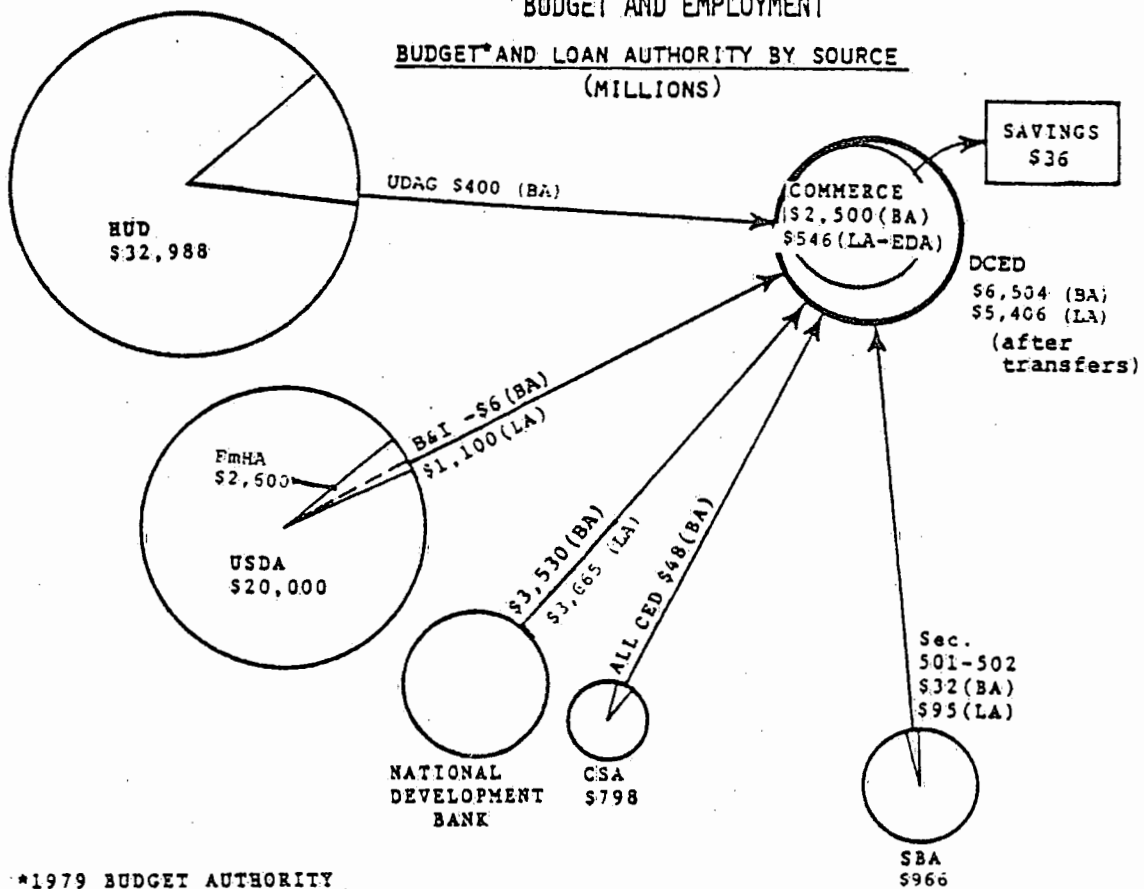
Like Option 1, this option would include the consolidation of Federal economic development programs, but not rural community facilities consolidation or planning assistance consolidation.

The limited suboption (without UDAG) would not allow full consolidation of economic development grant programs.

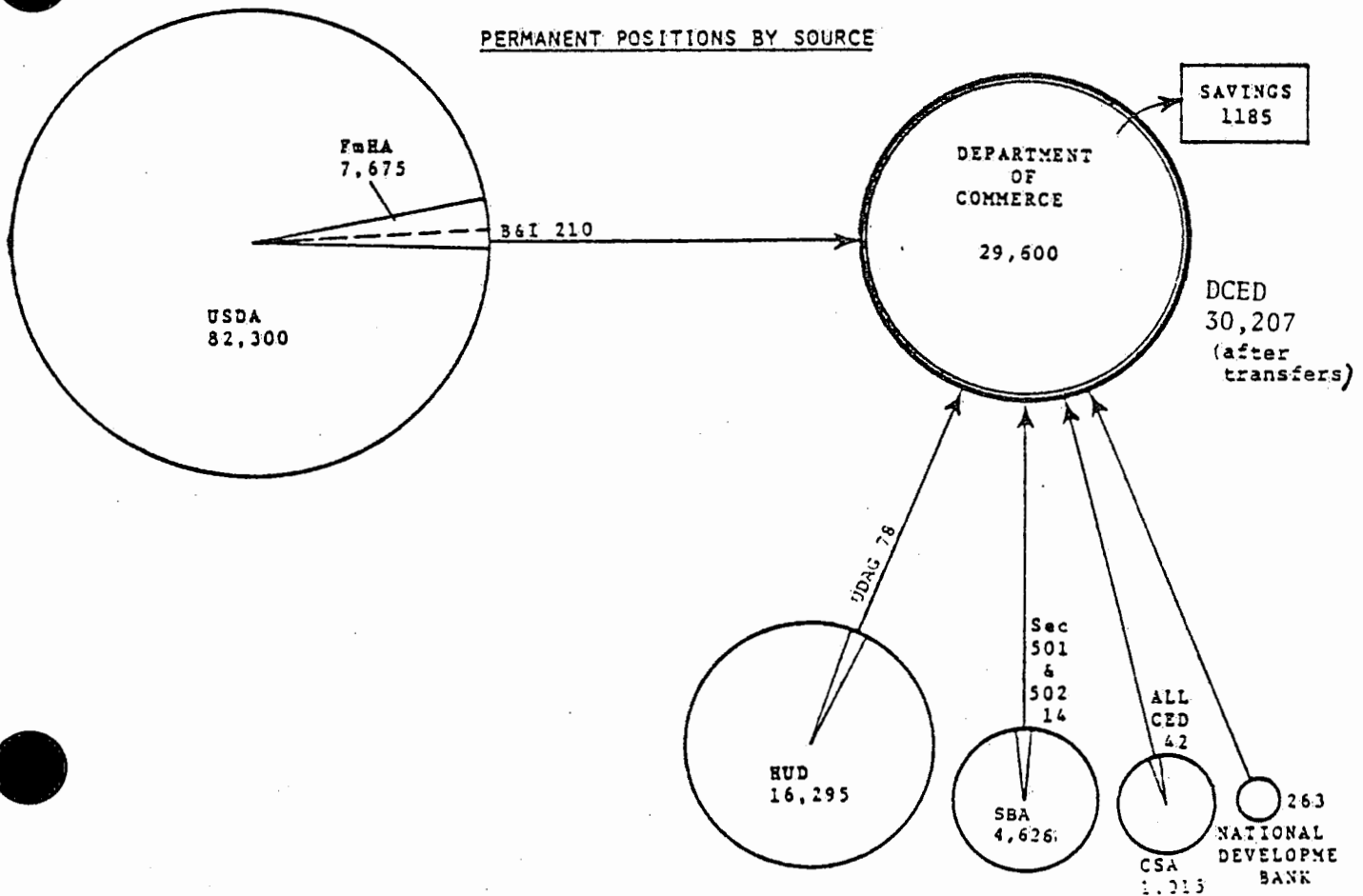
Option 4: Divide the Federal housing, community development and economic development functions into separate departments of urban development and rural development; streamline and consolidate Federal development assistance programs in the two departments

Under this option, the community development, economic development and housing programs for urban areas would

BUDGET AND EMPLOYMENT

BUDGET AND LOAN AUTHORITY BY SOURCE
(MILLIONS)

*1979 BUDGET AUTHORITY

PERMANENT POSITIONS BY SOURCE

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT (Option 3)

Trade	Technology	Statistics	Business Development	Economic Development
Industry and Trade Administration	National Bureau of Standards	Bureau of Census	Office of Minority Business Enterprise	National Development Bank
Maritime Administration	Patent Office	Bureau of Economic Analysis	Industry and Trade Administration (business services)	HUD (Urban Development Action Grants, Loans)
	National Technical Information Service			FmHA (Business and Industrial Loans)
	National Telecommunications and Information Administration			Community Services Administration (Community Economic Development)
				Economic Development Administration
				SBA (Sec. 501, 502 Development Loans)

be located in the present Department of Housing and Urban Development and the comparable programs for rural areas would be located in the present Department of Agriculture. This option would require several structural and programmatic changes.

Organizational Changes

The urban allocations of the following programs would be transferred into the Department of Housing and Urban Development:

<u>Current Agency</u>	<u>Programs</u>
Commerce	EDA
National Development Bank	All programs
SBA	501 and 502 programs (loans to State and local development companies)
Community Services Administration	Community economic development programs

The rural allocations of the following programs would be transferred into the Department of Agriculture:

<u>Current Agency</u>	<u>Programs</u>
Commerce	EDA
National Development Bank	All programs
HUD	CDBG and UDAG; housing programs; planning grants
Community Services Administration	Community economic development programs

The Title V Regional Commissions would be made independent entities as is the Appalachian Regional Commission and would report to the President. Full consolidation of planning assistance functions could be done within the Title V Commissions, but this would separate planning assistance programs from the departments that make the related funding decisions.

Exhibits XVI and XVII depict the organization of the resulting departments.

Programmatic Changes

This option would allow consolidation of the development planning and economic development loan and grant programs, but would necessitate separate urban and rural programs for each. In addition, it would include consolidation of rural community facilities programs.

Principal Advantages and Disadvantages of Each Option

Each option substantially simplifies delivery of Federal development assistance to State and local governments and private business. Each provides a rational organizing principle. Each will make it easier to develop and carry out subnational development strategies. Each paves the way to program consolidations allowing further streamlined program delivery. Each provides a home for the National Development Bank, thus increasing its chances for passage. Option 4, however, requires that the Bank be split. Each saves money. On the other hand, each may cause short term disruption and cost. However, these options share these benefits and drawbacks in varying degrees.

Option 1 -- all development assistance in a DDA -- provides one stop shopping for State and local officials seeking major development aids. It recognizes the interdependence of economic and community development and urban and rural problems. It encourages the links between the public and private sectors that are necessary for effective economic development. It gives one Federal official the tools to formulate balanced development strategies, target resources on defined needs, and evaluate the impact of development programs. It keeps EDA intact and expands it in a new organization. It streamlines Federal development assistance programs and permits significant savings for Federal and State and local governments.

On the other hand, it builds on HUD, a change which some argue will dilute EDA's business focus and subordinate development to housing. It also fails to recognize the links between economic development and trade and other business assistance.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (Option 4)

<u>Planning Assistance</u>	<u>Housing</u>	<u>Urban Development</u>
HUD 107 and 701 (large cities' portion)	Federal Housing Administration	HUD (Community Development Block Grants, Urban Development Action Grants - large cities' portion)
EDA (Sec. 301, 302 - large cities' portion)	Government National Mortgage Assn.	EDA (all programs - urban portion)
		SBA (Sec. 501, 502 Development Loans)
		National Development Bank (urban portion)
		Community Services Administration (large city Community Economic Development)

DEPARTMENT OF AGRICULTURE (Option 4)

<u>Agriculture, Trade and Marketing</u>	<u>Consumer and Nutrition</u>	<u>Rural Development</u>
Agriculture Marketing Service	Food & Nutrition Service	HUD (Small Cities portions of Community Development Block Grants and Urban Development Action Grants, planning and housing programs)
Animal & Health Inspec- tion Service	Food Safety & Quality	EDA (all programs - rural portion)
Federal Grain Inspection Service	Science and Education Administration	FmHA (all)
Agricultural Stabilization and Conservation Service		National Development Bank (rural portion)
Foreign Crop Insurance Corp.		Community Services Administration (small cities Community Economic Development)
Foreign Agricultural Service		Soil Conservation Service (non-construction)
		Rural Electrification Administration
		Rural Development Service

Option 2 -- putting public sector development assistance in a DDA; private sector assistance in Commerce -- ensures that programs delivered directly to the private sector do not lose their business focus because it keeps them in the "business" department. It helps improve control over and establishes consistency in Federal business credit policies. It reduces the number of agencies with which businesses must deal directly. It recognizes the interdependence of urban and rural areas. It also recognizes the linkages between development assistance to the private sector and general business promotion.

On the other hand, it fails to recognize that development assistance funds to the public and private sectors are interdependent and need to be packaged together; it risks transforming business assistance intended to aid distressed communities into more general business subsidies; it involves an extra stop for local officials seeking development assistance; and it hinders public-private partnerships. It requires splitting the EDA and its economic development programs and splits responsibility and accountability for economic development.

Option 3 -- placing all economic development assistance in Commerce -- simplifies delivery of economic development assistance and focuses economic development resources at the Federal level. It recognizes the links between economic development and trade and other business assistance and links the public and private partners usually involved in economic development projects. It permits better control of Federal business credit programs. It builds on EDA's reputation for strong management.

On the other hand, it does not recognize that economic development and community development are quite similar in practice and that most development assistance projects require both to relieve local distress. It further fragments Federal development assistance by separating community and economic development programs in two agencies, where they are now combined. It does not allow planning program consolidations and leaves community development programs scattered.

Option 4 -- splitting development assistance between HUD and USDA -- simplifies service delivery and clarifies authority for different clients. It stresses that urban and rural needs are different and must be addressed separately.

On the other hand, it fails to recognize that urban and rural problems are interrelated. It assumes that the distinction between "urban" and "rural" areas is sufficiently clear cut to provide the basis for a Cabinet level

division, and overlooks the impact of population changes, which would require towns to shift from one agency to another as they grow. It also would not provide a logical forum for State development strategies and projects. Finally, this option is most disruptive because it would require that EDA, HUD, SBA, CSA and the National Development Bank programs and technical capacities be split along urban and rural lines.

Table A compares and contrasts the advantages and disadvantages of each option.

Agency Comments

Commerce recommends Option 3 -- that economic development functions be consolidated in Commerce and that trade functions and business assistance in Commerce be strengthened. Commerce believes economic development and community development are quite different, that economic development is aimed at stimulating private investment, and community development is aimed at promoting the social welfare of communities and their residents. It strongly opposes transferring economic development activities of the public and private sectors, stating that Option 2 would dismember the well-run EDA program and obstruct achievement of public-private partnerships. Commerce strongly feels that the inclusion of the economic development function with housing and community development (Option 1) would make the economic development function impotent -- that these funds would quickly be contaminated by community development activities. This is based on the expressed fear that HUD's constituents and "social welfare ethos" would predominate. Commerce also feels that reorganization alone will not achieve administrative and program efficiencies in a new Department and that a new Department would be an awkward amalgam of activities. Commerce feels that sectoral problems are increasingly important and that sectoral analysis, trade, and economic development must be linked organizationally. Commerce argues that EDA is working well at Commerce. They believe that economic development should remain at Commerce and be strengthened by adding the National Development Bank program. It further believes that the EDA reauthorization is a good vehicle to accomplish this end.

HUD supports the creation of the DDA -- Option 1 -- as the only option which brings together all of the necessary development resources to make an effective attack on sub-national development problems. HUD reserves final judgment on the content of program consolidation until further information is available. HUD believes that community development, economic development, and housing must be in

TABLE A: ADVANTAGES AND DISADVANTAGES OF DEVELOPMENT ASSISTANCE OPTIONS

<u>ADVANTAGES</u>	<u>OPTION 1</u>	<u>OPTION 2</u>	<u>OPTION 3</u>	<u>OPTION 4</u>
	<u>All Development Assistance in a Department of Development Assistance</u>	<u>Business Assistance in a Department of Commerce, State and local assistance in a Department of Development Assistance</u>	<u>Economic Development in a Department of Commerce, Community Development in HUD and USDA</u>	<u>All Development Assistance Split Between HUD and USDA</u>
1. Would colocate development programs streamlining delivery of programs, providing fewer stops for seeking development assistance and improving capacity of the Federal Government to respond to local development strategies.	<u>HIGH</u> Combines major development programs in one department. Provides one-stop shopping for development assistance. Maximum capacity to respond to development strategies.	<u>MODERATE</u> Combines major development programs in 2 departments. Provides one-stop shopping for governments and one-stop shopping for businesses. Improves capacity to respond to development strategies, but limits ability to respond to business assistance part.	<u>LOW</u> Combines major development programs in 3 departments. Provides one-stop shopping for businesses, but requires 3 stops for State and local governments. Little improvement in capacity to respond.	<u>HIGH</u> Combines major development programs in 2 departments. Provides one-stop shopping for local governments, but requires 2 for States and businesses. Improves capacity to respond to local strategies.
2. Clarifies responsibilities and accountability for balanced sub-national development policies. Improves capacity to set policy, implement programs, and evaluate impact. Allows focusing of limited resources.	<u>HIGH</u> Gives one agency responsibility for development assistance. Provides unified responsibility for economic and community development policy.	<u>MODERATE</u> Gives responsibility to 1 agency for assistance to business and to another for public development assistance. Splits tools and responsibility for economic development policy and evaluation.	<u>MODERATE</u> Gives 1 agency responsibility for economic development and leaves 2 others responsible for housing and community development.	<u>MODERATE</u> Gives 1 agency responsibility for urban development and 1 responsibility for rural development. Limits capacity for a balanced growth strategy by establishing advocate agencies.
3. Paves the way for program consolidation that would streamline Federal development assistance, reducing plans and applications necessary, and standardizing and simplifying requirements.	<u>HIGH</u> Economic Development grant program consolidation. Economic Development business assistance program consolidation Rural Community Development consolidation Planning assistance consolidation	<u>HIGH</u> Same as 1, but with grant and business assistance consolidations in separate departments.	<u>MODERATE</u> Economic Development grant consolidation Economic Development business assistance consolidation	<u>MODERATE</u> Same as 1, but requires splitting each consolidated program into 2 programs instead of 1.
4. Provides Federal cost savings and an opportunity for State and local cost savings by reducing paperwork and duplication.	<u>HIGH</u> \$43 Million (Federal)	<u>HIGH</u> \$42 Million (Federal)	<u>MODERATE</u> \$36 Million (Federal)	<u>MODERATE</u> Unknown

	<u>HIGH</u>	<u>HIGH</u>	<u>HIGH</u>	<u>LOW</u>
5. Obviates the need to establish the Development Bank as a separate entity, increasing its chances for passage.	Places the Bank into a Department of Development Assistance.	Places the Bank into the Department of Commerce.	Places the Bank into the Department of Commerce.	Splits the Bank between HUD and Agriculture.
6. Recognizes the interdependence between economic development, community development, and housing; that assistance directly aimed at businesses, public facilities, and housing are all important in influencing business decisions and often need to be packaged to achieve a development strategy; and that community development and economic development often do the same things (e.g. \$500 million of CDBG goes for economic development).	<u>HIGH</u> Places all economic development with community development and most housing.	<u>MODERATE</u> Economic development public sector assistance would be combined with community development and housing, while direct business assistance would remain separate.	<u>LOW</u> Separates economic development from community development and housing.	<u>HIGH</u> Collocates economic development, community development, and housing in 2 agencies.
7. Recognizes the interdependence of programs designed to attract business to lagging areas whether they deliver assistance directly to the private sector or indirectly through the public sector; that often the public and private assistance needs to be packaged; that there is little clear distinction as both are used to write down costs to businesses to influence location decisions; and that grant funds are also used for loans to businesses through local revolving loan funds.	<u>HIGH</u> Collocates all economic development assistance.	<u>LOW</u> Economic development assistance to the private sector is separated from economic development assistance to the public sector.	<u>MODERATE</u> Collocates funds for economic development, but community development funds used for economic development are still in a separate agency.	<u>HIGH</u> Collocates all economic development funds in rural and urban agencies.
8. Stresses the interdependence of economic development (place-specific) business assistance, sectoral analysis, and trade policy; encourages focusing of economic development resources on trade, technology, and general business problems.	<u>LOW</u> Separates economic development business assistance from trade and sectoral analysis.	<u>HIGH</u> Places most business assistance together and places economic development business assistance with trade and economic analysis.*	<u>HIGH</u> Places most business assistance together and places economic development business assistance with trade and economic analysis.*	<u>LOW</u> Separates economic development business assistance from trade and sectoral analysis.
9. Recognizes the interdependence of urban and rural areas and eliminates gaps in geographic service coverage.	<u>HIGH</u> One department responsible for all areas.	<u>HIGH</u> Both departments responsible for all areas.	<u>HIGH</u> Both departments responsible for all areas.	<u>LOW</u> Splits urban and rural responsibilities.

	<u>OPTION 1</u>	<u>OPTION 2</u>	<u>OPTION 3</u>	<u>OPTION 4</u>
10. Recognizes the differences in the needs, problems, and capacities of urban and rural areas.	<u>MODERATE</u> The DDA would be organized to respond to urban and rural needs and would have separate allocations for each.	<u>MODERATE</u> Same as Option 1.	<u>MODERATE</u> EDA would have separate allocations for urban and rural. Community development would stay split.	<u>HIGH</u> Provides potential for completely different policies and delivery systems for urban and rural areas
11. Makes better use of scarce technical talent at the Federal, State, and local levels by avoiding duplicative staff capacity.	<u>MODERATE</u> Combines all staff familiar with local development problems and place-oriented economic development, but splits staff knowledgeable in business analysis.	<u>MODERATE</u> Combines staffs for business assistance and staffs for community development, but still requires 2 staffs familiar with local development problems.	<u>MODERATE</u> Combines all staff familiar with economic development problems and all staff familiar with business assistance programs, but splits staffs working on development assistance more generally.	<u>LOW</u> Separates all technical skills between urban and rural. Combines staff familiar with urban and rural problems.
12. Centralizes control over Federal credit programs and increases consistency in business lending practices.	<u>MODERATE</u> Centralizes control over economic development lending, but maintains this separate from other business lending.	<u>HIGH</u> Potentially places most business credit programs in one agency.*	<u>HIGH</u> Potentially places most business credit programs in one agency.*	<u>LOW</u> Leaves business credit programs scattered.
13. Potentially increases business willingness to participate in Federal economic development programs by consolidating programs and providing programs in a department with a strong business focus.	<u>MODERATE</u> Consolidates economic development and puts it in a department with mostly public programs.	<u>MODERATE</u> Puts business assistance in a "business department," but separates it from public programs frequently needed to complete projects.	<u>HIGH</u> Puts most economic development in a "business department."	<u>LOW</u> Splits economic development and puts it in departments with public programs.
14. Reduces pressure for State and local governments to duplicate fragmentation at the Federal level.	<u>HIGH</u> No Federal fragmentation in development programs.	<u>MODERATE</u> Most development functions are consolidated Federally, but public/private split could encourage fragmentation of State and local development authorities.	<u>LOW</u> Still splits economic development from community development.	<u>HIGH</u> No Federal fragmentation would exist for any one community.
15. Provides a good administration response to EDA reauthorization and builds on EDA, which has a reputation for strong management.	<u>MODERATE</u> Can use EDA reauthorization. Moves EDA intact to the DDA and expands it within DDA.	<u>LOW</u> The split in departments suggested here might require separate legislation. Splits EDA in two.	<u>HIGH</u> Uses EDA reauthorization and builds on EDA in place.	<u>LOW</u> Splits EDA between two departments.

<u>DISADVANTAGES</u>	<u>OPTION 1</u>	<u>OPTION 2</u>	<u>OPTION 3</u>	<u>OPTION 4</u>
1. Reorganization always involves some short-term disruption and costs.	<u>MODERATE</u> Moves EDA intact. Splits FmHA development from farm and housing programs.	<u>HIGH</u> Splits EDA and FmHA development programs and tools.	<u>MODERATE</u> Moves UDAG. Splits FmHA development programs.	<u>HIGH</u> Splits EDA and HUD development programs and the National Development Bank.
2. Some recipients complain that reorganization would no longer allow them to "work the system" as they would have less entry points.	<u>HIGH</u> Provides only one principal entry point for development assistance.	<u>MODERATE</u> Provides only one entry point for State and local governments except in packaging business with other assistance. Still permits businesses access at Federal and local level.	<u>MODERATE</u> Provides only one entry point for economic development.	<u>HIGH</u> Provides only one entry point for urban and one for rural.
3. Placing economic development programs in a department consisting primarily of housing and community development could dilute the business focus of these programs with a public focus.	<u>HIGH</u> Economic development programs are co-located with housing and community development, but kept distinct organizationally and programmatically within the department.	<u>MODERATE</u> Economic development public assistance programs would be combined with community development and housing, but business assistance programs would be maintained separately.	<u>LOW</u> Economic development programs are organized separately.	<u>HIGH</u> Economic development community development and housing programs are co-located.
4. Placing programs for the development of lagging areas in a department primarily focused on trade and business assistance could dilute the place-specific public focus of these programs with a general business-promotion, ailing-industry focus.	<u>LOW</u> Economic development programs are separated from trade and other business assistance.	<u>MODERATE</u> The economic development business assistance programs would be combined with trade and general business assistance.	<u>HIGH</u> All economic development is combined with other business assistance.	<u>LOW</u> Economic development is maintained separate from other business assistance.
5. Placing rural programs in the same department as urban programs especially one built on a traditionally urban agency, could dilute the rural focus of these programs.	<u>HIGH</u> Rural programs are placed in a department including all of HUD, but are grouped organizationally to protect rural interests.	<u>HIGH</u> Rural community development programs are placed in a department including all of HUD.	<u>MODERATE</u> Urban programs would be included, but the option would not include all of HUD.	<u>LOW</u> Rural programs are maintained separately.
6. Communities would have to shift agency as their demographics changed, moving them from urban to rural or vice versa.	<u>LOW</u> Urban and rural programs are combined.	<u>LOW</u> Urban and rural programs are combined.	<u>LOW</u> Urban and rural programs are combined.	<u>HIGH</u> Communities would have to deal with different agencies depending on their current population.

the same department to make development assistance work as an integrated, place-specific approach. HUD opposes the Commerce-based option because it would expand the artificial distinctions between economic and community development programs and continue the present fragmented development situation. HUD also opposes the Commerce-based option because, unlike the DDA proposal, it would not allow a consolidated planning assistance program and would forego much of the associated State and local savings. The Commerce option would also retain the current split in rural community development programs. HUD believes Option 2 would be a coordination nightmare, because it fails to recognize "the inextricable and vital link between community development and local economic development" and could "frustrate our efforts to use public funds as a leverage for private sector investment." HUD also believes the National Development Bank must stay with other economic development programs in DDA, arguing that location elsewhere could make it difficult to secure local public sector involvement and would change the Bank's focus to one of general business advancement. It feels that trade functions are not necessary to creating a local development assistance capacity. HUD believes that only the DDA option will provide one stop shopping, achieve significant savings, gather a critical mass of resources, significantly streamline the process and meet the Carter Administration's commitment to a "new partnership." HUD believes that FmHA multi-family assistance programs should be combined in the DDA as a development tool. HUD believes the only realistic alternative, in view of political problems attending each plan, is between DDA and no reorganization at all.

USDA believes that community development, economic development and housing should be combined, but that urban and rural programs should be separated in different departments (Option 4). It opposes the Commerce-based option 3 because it would split economic development from community development and housing. It believes Option 1 minimizes the opportunity to consolidate program delivery at the local level. Agriculture is particularly concerned that rural assistance be delivered through multi-county district offices of the sort that FmHA is creating and therefore urges that any reorganization plan incorporate these offices.

SBA supports the DDA (Option 1) seeing little difference between community and economic development. It endorses the proposed shift of its Section 501 and 502 programs. SBA opposes Options 2 and 3.

Treasury agrees that economic development programs should be consolidated and rationalized. It objects to Option 1 because it believes that many development programs require an integrated private-public program. This need for partnership was a major rationale for the National Development

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Bank. Beyond this, it takes no position on specific structural change.

Transportation believes that Option 2 offers a good compromise position that recognizes the needs of both the public and private sector.

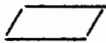
Labor supports Option 1 -- the broad Department of Development Assistance -- although it believes that a better definition of "development" is needed. It believes that splitting private and public sector development is counter-productive if our goal is to concentrate, coordinate and streamline. It stresses the interdependence of urban and rural development problems.

CSA endorses the basic concept of Option 1. However, it emphatically opposes moving community development corporations. They argue that the program is unique in that it combines social and economic goals, that its flexibility and autonomy are essential to its performance, and that it provides a visible and real commitment to our least advantaged citizens. CSA believes instead that its program should be enhanced.

OMB supports Option 1 -- merging a core of development assistance programs in DDA. We believe that a DDA would allow coordination and better management of Federal development assistance decisions and promote accountability to the President. It would also increase cooperation with State and local governments and the private sector. It would provide one-stop shopping at the local level for Federal public facilities investment, housing, business assistance, and technical assistance aid designed to encourage community upgrading and local prosperity. The DDA would provide a suitable home for the National Development Bank, thus increasing its chance for passage.

Decisions

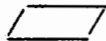
Option 1: Group major Federal community and economic development assistance and some housing programs for urban and rural areas into a Department of Development Assistance; streamline and consolidate Federal development assistance programs. (OMB, HUD, Labor, SBA support; CSA supports concept but opposes transfer of its programs)

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Option 2: Group major Federal community and economic development programs to the public sector into a Department of Development Assistance; group programs providing development assistance to the private sector in the Commerce Department; streamline and consolidate Federal development assistance programs. (DOT believes this offers good compromise)



Option 3: Group Federal economic development programs for urban and rural areas in the Department of Commerce leaving community development in HUD and Agriculture; streamline and consolidate economic development assistance programs (Commerce supports limited form of this option)



Option 4: Divide the Federal housing, community development and economic development functions into separate departments of urban development (HUD) and rural development (USDA); streamline and consolidate Federal development assistance programs in the two departments. (USDA supports)

III. Commerce, Trade and Business Assistance

Some of the preceeding options to reorganize natural resources and economic and community development could profoundly affect the mission and scope of today's Commerce Department. While under any of these options, Commerce would continue its longstanding and core responsibilities of census and other statistics, trade, economic analysis, maritime affairs, science and technology, and business assistance and advocacy, there may be additional functions that would enhance the Department beyond its status today.

Coincidentally, our review of the trade and business assistance functions throughout the government has uncovered major policy and organizational problems. The current operations of the Small Business Administration, and the similarity of its lending, technical assistance and policy functions to those of the Commerce Department, suggest the possibility of consolidating SBA into Commerce. While the programmatic case for such a consolidation is compelling, the politics are presently uncharted. The current fragmentation of export promotion, and trade policy, administration and adjudication functions (Exhibit XVIII) and the future need to provide working and credible institutions to implement the MTN agreements raise the issue of how Commerce might or might not shoulder greater or different responsibilities in this area.

After we have refined our trade and business assistance options and tested them with the Congress and interest groups, we will bring you recommendations on how to strengthen trade and business assistance. These options may provide an opportunity to further focus the role and mission of the Commerce Department, whether or not you decide to alter its natural resources and public works functions.

TRADE AND BUSINESS ASSISTANCE ACTIVITIES

Agency	Sectoral Analysis	Impact of Regulation	Foreign Trade	Productivity Growth	Business Services
COMMERCE (Science & Technology, Industry & Trade Adm., Patent Office, MARAD, Census, BEA)	Collects and analyzes data on U.S. industries (production, consumption, capacity, etc.).		Provides U.S. Bus. with information services; arranges overseas sales events, trade promotions. Coordinates East-West trade promotions.	Conducts research into basic properties of materials; promotes use of available technology. Conducts Tech. Incentives Program.	Provides assistance and information on Fed. programs to business through network of field offices.
INTERNATIONAL TRADE COMMISSION	Studies industries affected by imports.		Recommends on tariff and non-tariff issues.		
TREASURY (Bureau of Commodities & Natural Resources, Office of Foreign Assets Controls; Office of Tariff Affairs; Office of International Affairs)	Studies internationally traded commodities, such as bauxite, coffee, copper, tin, etc., to back up U.S. international commodity policies.		Policy guidance for direct international investment; East-West trades; and Export-Import Bank. Embargo enforcement. Anti-dumping; counter-vailing duties.		
INTERIOR (Bureau of Mines - Sectoral Analysis)	Compiles and analyzes information on mineral resource development (incl. exploration, production, prices, and trade).				
EXPORT-IMPORT BANK			Aids financing to promote U.S. exports.		
SMALL BUSINESS ADMINISTRATION					Loan assistance programs; management programs.
SPECIAL TRADE REPRESENTATIVE			Trade negotiations.		
STATE (Commercial Attaches)					Information about business opportunities for U.S. firms.
OVERSEAS PRIVATE INVESTMENT CORPORATION			Provides assistance, eliminates risks for U.S. investments in developing countries		Investment information and counseling.

IV. Food and Agriculture

The Problem

The food system is big, complex, and constantly changing. These changes reflect trends in consumer habits, advancing technology, growing knowledge of the relationships between diet and health, and changing world economic conditions. But the Federal policymaking machinery charged with aiding that performance is getting out of date. Conflicts surrounding the food system are numerous -- e.g., farm prices vs. marketing margins vs. consumer prices; processing costs vs. food safety and wholesomeness; product promotion vs. nutritional information; land and water use vs. land and water preservation; and food aid and foreign trade vs. domestic food supplies and costs. These and many other conflicts must be resolved in forging a food policy.

These problems are difficult to handle under the best of circumstances. But the current organizational arrangement tends to make matters worse. Both HEW and USDA have food related responsibilities but neither has the capacity to make the needed policy. Agencies are organized around clienteles and functions with polarized views on specific issues.

More specifically, the existing organizational arrangement has the following undesirable effects:

- ° Since the Department of Agriculture is often viewed as representing producers, it has difficulty achieving workable compromises among conflicting interests, particularly those involving consumers.
- ° Organizational fragmentation results in low status and visibility for important nutritional problems.
- ° Too many decisions that should be resolved at the Department level are elevated to the White House, adding to the heavy workload of the White House, and undermining morale in the Department.
- ° The organization is so diffuse that accountability cannot be enforced so as to reduce waste and inefficiency.

It is critical that we demonstrate that this Administration does not intend to dismantle the Department of Agriculture. Of the four reorganizations treated by this memorandum, three would affect the Department. In two cases, preferred options

would result in significant transfers of authority from the Department. There is a widespread concern among agricultural interests that reorganization will result in a serious erosion of the Department's status. For this reason, many of these interests will actively oppose these proposals on principle.

We should be able to demonstrate that we intend to make changes that will enhance Agriculture's stature and overall influence on food and agricultural policy. Important and widespread support exists for incremental steps that would begin the process.

Proposed changes:* Clarify the assignment of overall policy leadership for food and nutrition

Although these changes do not entail large-scale structural reorganization, they do respond to real needs to improve the making and implementation of policy in this area. A new organization is needed which will:

- ° Provide a strong Cabinet voice for a national food and nutrition policy.
- ° Permit conflicts between food and nutrition policy and commercial agriculture (over food safety, price, labeling, etc.) to be worked out expeditiously at the departmental level.
- ° Provide a closer link between nutrition research and farm production decisions.
- ° Assure that domestic and foreign elements of food policy are well integrated.

* Agricultural development assistance. There is general agreement over the need for organizational change in agricultural development assistance programs. Some argue for consolidating and strengthening agricultural trade expertise within a central agency such as AID. Others call for reducing the size of AID to a small coordinating unit (similar in size and scope to STR in the trade field) and assigning the Secretary of Agriculture lead agency responsibility in the design and execution of agricultural development assistance. This issue will be addressed in the forthcoming memorandum on foreign assistance reorganization being developed by OMB, AID, Henry Owen, and Frank Press.

Organizational and Process Change

- (1) Direct the Secretary of Agriculture to convene an interagency group involving OMB, HEW, and OSTP (in consultation with the scientific community) to clarify responsibilities and priorities for nutrition education and surveillance.
- (2) Direct OMB and DPS to work with HEW and USDA to develop an Executive Order or other appropriate instrument to implement the provisions of the 1977 Farm Bill designating the Department of Agriculture as the lead agency for nutrition research "except with respect to the biomedical aspects of human nutrition concerned with diagnosis and treatment of disease." This section of the Farm Bill has not been implemented.
- (3) Direct the Secretary of Agriculture to work with OMB and DPS in developing administrative and legislative proposals to give appropriate balance between production and consumer interests in food and nutrition policy. Among the changes to be considered are:
 - ° Organize the Department internally as follows:
 - Create two Under Secretaries -- one representing producer, international and marketing interests, and one representing consumer and nutrition interests.
 - Internally separate consumer-oriented programs under the two Under Secretaries.
 - Create a stronger policy analysis unit within the Office of the Secretary to serve the needs of both these Under Secretaries.
 - Create separate Assistant Secretaries for domestic programs and for international programs.
 - ° Change the name of USDA to the Department of Food and Agriculture to symbolize the Department's broader mission.
 - ° Consider proposals for consolidating authorities for promotion of agricultural trade with authorities for control and development of agricultural production.

Agency Comments

Agriculture is in general agreement with the direction and purpose of the proposed changes but argues they do not go far enough. It argues that it should continue to exercise a lead agency responsibility in the international agricultural trade field and that it should be granted increased responsibility in the fields of nutritional policy and in international development assistance as it relates to agricultural production. Agriculture believes that the case for consolidating the Bureau of Foods in FDA with food inspection functions in USDA deserves careful examination but does not recommend a decision at this time.

HEW agrees that a better delineation of responsibility in this area between HEW and USDA is needed. HEW is strongly opposed to any designation of USDA as the lead agency for nutrition policy. HEW believes that there is an inextricable relationship between nutrition and disease prevention, which Califano intends to develop as a major emphasis of his department. HEW states that an enhanced nutrition role for USDA ignores the "inherent conflict of interest in having the Department of Agriculture, which is responsible for promoting the commercial interest of the food industry, also responsible for protecting the consumer with respect to nutrition and food safety."

Decisions

- (1) Direct the Secretary of Agriculture to convene an interagency group to clarify agency responsibilities for nutrition education and surveillance.
(OMB recommends)

☐

Yes

☐

No

- (2) Direct OMB and DPS to work with HEW and USDA to develop an Executive Order implementing the 1977 Farm Bill to make USDA the lead agency for nutrition research except with respect to the biomedical aspects of human nutrition concerned with diagnosis and treatment of disease. (OMB recommends)

☐

Yes

☐

No

- (3) Direct the Secretary of Agriculture to work with OMB and DPS to develop legislative and administrative proposals to give appropriate balance between producer and consumer interests in food and nutrition policy. (OMB recommends)

☐

Yes

☐

No

V. Next Steps

A. Reorganization Authority

Should you approve these recommendations, we will draft the necessary legislation, reorganization plans, and executive orders. We expect to use reorganization plans where possible to make necessary structural changes. These plans would be presented sequentially this year. Legislation will be required for program reforms.

B. Announcement

If you proceed with any of the principal reorganization recommendations, we believe that your decision will merit a brief State of the Union announcement. We further suggest that you consider a reorganization message around the time of submission to the Congress.

C. Meetings with key Congressmen

You can demonstrate that these proposals are important to you and build some enthusiasm among the Congressmen who will carry them on the Hill by inviting key Senators and Congressmen in to meet with you prior to sending the plans forward.

THE WHITE HOUSE

WASHINGTON

January 16, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: DICK PETTIGREW *Dick*
TOM BELFORD *TB*

SUBJECT: Cabinet Reorganization - Political Assessment

We have conducted a comprehensive interest group assessment of the OMB preferred options for natural resources and local development assistance reorganization. We conclude that from an interest group standpoint both initiatives are politically feasible. However, bureaucratic lobbying, especially efforts by EDA and Commerce Department leadership to stimulate opposition to reorganization, is making it increasingly difficult to keep key interest groups open to a Presidential initiative. Your decision to proceed with reorganization will have a positive impact on interest group attitudes.

We have found some ambivalence and some strong opposition to the proposals. The most significant opposition comes from the traditional Agriculture Department lobby, which routinely opposes any transfers out of that Department. Your commitment to a strong future mission for USDA, as proposed by OMB, is a necessary step if we are to moderate that opposition at all.

We have discovered no intensity of support for natural resources or local development reorganization comparable to the education lobby's support for a Department of Education. This lack of intensity is offset by the unique advantages of a reorganization plan. As you know, reorganization authority gives the Administration control of amendments and guarantees an up-or-down vote within a certain time. If we cannot submit these reorganizations by plan authority, we should not proceed at all.

As the decision memo makes clear, reorganization options regarding future missions of the Agriculture and Commerce Departments have been too imprecise to allow reliable political assessment at this time.

I. NATURAL RESOURCES

OMB's Department of Natural Resources (DNR), which builds on Interior, must be promoted in the following context:

1. Interior's present image is environmentalist/preservationist, given the background of the Department's top leadership and the reputation of the Park Service and the Wildlife Service.
2. This image, while reassuring to conservationists and the environmentalists, is worrisome to resource user groups affected by the Forest Service, NOAA and water policy transfers.
3. In addition, the policy domains covered by the DNR (e.g., water, fishing, forests) are such as to cause important regional political considerations that must be assessed.
4. Given these factors, interest groups - preservationist or development, Western-based or otherwise - must be convinced that a new DNR, with a national constituency, will best ensure balanced, multiple use management of our natural resources. We must maintain a middle-of-the-road posture regarding the philosophical tilt of the new department.

Summary Assessment. If we persevere in our middle-of-the-road balanced management characterization of DNR, we should hold the support of most environmentalists and conservationists, several key resource user groups (oil, mining), most ocean interests, some leading foresters, some (perhaps most, pending negotiations) of the timber industry, and several prominent former natural resource officials. Signals regarding the internal structure of the DNR will be critical to the eventual intensity of support we receive, particularly in the case of resource user groups. We will face opposition from some of the timber industry (even if negotiations succeed), the broad USDA lobbying coalition, some of the commercial fishing industry, and water project promoters and users. The Western governors represent an undecided factor at this time. We will have to be especially attentive to the regional marketing of DNR, since the major blocs of opposition tend to be concentrated in regions of major political significance. NOAA at this point represents our "safest" transfer from an interest group standpoint.

Our more specific readings follow.

Forest Service. Environmentalists are not that interested in the Forest Service issue; this is not the transfer that attracts their support to the DNR. Important exceptions are the National Wildlife Federation (supports DNR enthusiastically), the Sierra Club and the Natural Resources Defense Council (the latter two pay particular attention to forest issues and will be neutral to supportive).

The timber industry fears Forest Service transfer as a preservationist move; however, they are very dissatisfied with the status quo. We are actively negotiating with major industry representatives (individual CEO's, American Paper Institute, National Forest Products Association) and expect to succeed in turning much of the industry around on reorganization. We can succeed if we deliver a Presidential commitment dedicating the new forest management entity to a more productivity-oriented, but balanced use, mission (see draft statement, Exhibit I). The Northwest and Southeast regional politics of a transfer that might be bitterly resisted by the industry need to be carefully weighed.

Professional foresters represent another significant element in the Forest Service transfer. Many regard Interior in general and Secretary Andrus in particular as threatening to the professionalism of the Forest Service. We are uncertain whether we will be able to produce endorsements from the Society of American Foresters or the American Forestry Association. We can, however, deliver the support of key opinion leaders among professional foresters, including several current/former leaders from both professional groups.

Soil Conservation Service. More so than the Forest Service, transfer of elements of the SCS triggers opposition from traditional USDA partisans. For example, there are nearly 3000 local soil conservation districts which represent a terrific grassroots lobbying potential in defense of USDA. The most politically attractive alternative would be to move only the Forest Service, none of the SCS. On the other hand, the National Association of Conservation Districts (NACD), which opposes our present proposal, has recommended that if we move any of the SCS, we should move it all. Transfer of part or all of SCS may generate broader rural bloc opposition than we can withstand, and we should be prepared to amend our plan on this point after submission if necessary.

Other friends of USDA (National Cattlemen's Association, several state farm bureau federations, National Council of Farmer Cooperatives, National Association of State Departments of Agriculture and others) have signaled opposition to both the Forest Service and SCS transfers.

NOAA. With some notable exceptions, the environmentalist/conservationist community is not excited by the NOAA transfer. The principal environmental group on NOAA matters is the Center for Law and Social Policy, which supports the transfer so long as appropriate internal arrangements are made in DNR. Groups concerned primarily with endangered species and protection of marine mammals (e.g., Fund for Animals) have some apprehensions about the transfer, but seem to accept its inevitability.

The ocean industry, convinced that a separate oceans agency is not viable, will ultimately support the transfer. Right now, they are still noncommittal. Nevertheless, our argument that NOAA will be enhanced via reorganization, together with the promise of some process streamlining made possible by consolidation, seems to be taking hold in the oceans community. Most of our political intelligence, however, is based on spotty feedback from individual corporate opinion leaders. Other natural resource user representatives, like the American Petroleum Institute and American Mining Congress, appear supportive of the NOAA (and Forest Service) transfers because of anticipated process reforms. Before we can be sure of their support, however, we will have to demonstrate a genuine resource management competence in the new department.

Commercial fishing interests are apprehensive about the NOAA transfer. They prefer a separate oceans agency or the status quo. However, anticipating that reorganization will be proposed, the major policy group of the industry has taken the position that it wishes the National Marine Fisheries Service (NMFS) to remain within NOAA. No industry associations currently take the position that fisheries should be transferred to USDA. If we provide enhanced status for fisheries matters in NOAA, we believe the industry might accept transfer of NOAA to DNR. If we do not, the industry will be divided, with some elements opposing DNR. We do not have a clear sense of the regional implications of fishing industry opposition if it materializes, but presumably it would be most visible in the Northwest and New England.

Water Policy. Transfer of the Water Resources Council does not excite interest group opposition. However, our proposed transfer of water planning authorities out of the Corps of Engineers, Bureau of Reclamation and Soil Conservation Service may well generate a replay of last year's water project battle. Environmental groups, led by the Environmental Policy Center (the lead group on this issue), fully appreciate the "pork control" ramifications of the water policy shifts and will support the DNR to advance that policy outcome. For the opposite reasons, we expect water project advocates (e.g., Water Resources Congress, National Water Resources Association, National Waterways Conference) to oppose reorganization. However, these groups are

interested in further negotiations as to the precise split between policy/budgeting and project planning.

Other. Two important constituencies with interest in the overall DNR concept need to be carefully cultivated - governors (and Western governors in particular) and elder statesmen of the natural resources community. We have taken important initial steps in both areas.

We have briefed Governors Carroll (Ky., Chairman of NGA and former Chair of NGA's Natural Resources Committee), Lamm (Colo., Chair of Natural Resources Committee), Matheson (Utah, Vice-Chair of Natural Resources Committee), Babbitt (Ariz.), and Governor-Elect List (Nevada). With the exception of Carroll, who is supportive, the governors have been open-minded but noncommittal. Discussions with NGA staff and Washington representatives of several other governors have also been inconclusive, although NGA staff appear supportive. As far as non-Western governors are concerned, the issue appears limited to neutrality versus support. The posture of Western governors is particularly crucial to our proposal. These governors have expressed concerns about diminution of Western influence in a DNR, upsetting the smooth functioning of the Forest Service, changing the role of the Bureau of Reclamation, and impact of DNR on states' role in water policy. We are continuing to explore these issues through Governor Lamm. While Lamm apparently has no personal problems with DNR, he wants to see further consultation with governors before any proposal is sent to Congress.

We have also had productive discussions with several former high-ranking federal officials from the natural resources area. Former Interior Secretaries Stewart Udall and Thomas Kleppe are enthusiastic about the DNR. So are Russell Train (EPA, CEW), Russell Peterson (CEQ), and, assuming NOAA is enhanced via reorganization, Robert White (NOAA's only prior Administrator). We are confident these individuals will actively support the DNR proposal. On the other hand, several former Agriculture Secretaries (Freeman, Butz, Hardin, Benson) have signaled opposition to any transfers out of USDA.

COMMUNITY AND ECONOMIC DEVELOPMENT

OMB has recommended combining community development with economic development (i.e., EDA to HUD), and urban development with rural development (i.e., selected Farmers Home Administration programs to HUD). They also recommend inclusion of the Development Bank in DDA. Our consultations support the substantive validity of these recommendations.

A Department of Development Assistance (DDA), which builds on HUD and includes the Development Bank, must be presented in the following context:

1. HUD's present image as urban-focused, community development-oriented, regulation-bound, and mis-managed must be reshaped;
2. In the process, "friends of HUD" must be assured of a stable, if not enhanced, bureaucratic status;
3. At the same time, clientele of transferred agencies and programs, principally EDA and FmHA, must be assured that attractive features of their present organizational relationships will be preserved and improved, not "infected", via reorganization;
4. The flow of Federal funds to local governments must be protected from the short-term disruption caused by reorganization.

[OMB has included in its decision memo a new variation of DDA regarding the organizational placement of direct private sector assistance targeted to businesses in distressed areas (chiefly, the National Development Bank). We believe strongly that further consultation is necessary on this variation of the DDA proposal, if it is to be pursued at all. While we have explored with outside interests alternative placements of the Development Bank, we have not adequately tested the politics of an across-the-board split between public and private development assistance programs (preliminary findings, reported below, are mostly negative). The assessment which follows is based on our testing of OMB's recommended Department of Development Assistance.]

Summary Assessment. If the signals from our recent consultations hold true, and if we make the right decisions regarding internal structure, the DDA (with Bank) should be supported by most mayors,

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governors, housing interests, and minority groups. Activation of the mayors' support may ultimately have to be sought directly by Presidential appeal, given the mayors' vulnerability to the Federal grant bureaucracy and their lack of intensity on the issue.

The EDA transfer may generate some "sunbelt" and rural/small town opposition, but not enough to threaten the reorganization package, assuming we build EDA as the core ED unit in the new department and move a strong ED figure into the top leadership of DDA. The FmHA transfers are likely to generate the strongest opposition. We will have to specify in some detail the enhanced status, field delivery structure, personnel, and protective features of our proposal vis-a-vis rural development before the FmHA transfers will gain support. Clearly, we must continue to treat the HUD image issue carefully, conveying a sense of HUD shakeup without alarming big city mayors and minority groups, whose support must be maintained, even, if necessary, at the expense of support from other sources.

Our more specific readings follow. Support reported refers to the DDA option that includes the Development Bank.

Mayors. Consultations with mayors have strongly reinforced our substantive analysis. Virtually all mayors we have contacted support colocation of community development and economic development. Nevertheless, mayoral support for DDA will remain private until after a Presidential decision to proceed. Mayors simply cannot chance taking the losing side in a bureaucratic turf battle. In addition, despite benefits the mayors appreciate, reorganization is clearly not something they demand as an Administration priority. However, our sense is that once you decide to propose DDA, key mayors will support the proposal because of its acknowledged substantive benefits.

On the other hand, big city mayors would oppose building on Commerce as the lead ED agency (particularly if that entails moving UDAG); most mayors would regard a CD/ED split as wrong on the merits (although they might not actively oppose); "sunbelt" mayors will be among those most concerned about building on HUD, since they feel discriminated against by UDAG targeting criteria. HUD is reviewing the "pockets of poverty" targeting issue and may amend its criteria in a way that allays some "sunbelt" concerns. The League of Cities will probably remain neutral; the Conference of Mayors will remain neutral or possibly support. A list of the mayors we have talked to, with their reactions, is attached (Exhibit II).

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Governors. We have met with Governors Carroll (Kentucky, Chair of NGA), du Pont (Delaware, Chair of NGA's Community and Economic Development Committee), and Hunt (N.C., Chair of NGA's Rural Development Committee). In addition, Governor Rockefeller (W.Va., Chair of NGA's Committee on Balanced Growth) has reviewed our proposal, and we have briefed NGA staff. Governor Carroll is enthusiastic; Governor du Pont is supportive. Governor Rockefeller, who favors moving toward one-stop shopping, advises against reorganization. He believes the political difficulty of winning this reorganization outweighs the little general public acclaim the project would receive. Governor Hunt, while strongly sympathetic to the DDA concept, advises for political reasons that this reorganization be deferred until 1981. However, he believes that careful implementation to keep the federal monies flowing and appointment of a strong ED figure to DDA leadership would mitigate political costs. Representatives of the governors serving on NGA's community and economic development committee recently committed strong support to the DDA. Overall, the governors have been quite vocal in urging reorganization in this area, since they see it necessarily complementing budget austerity. So long as we propose a significant role for governors in the CD/ED planning process, we should have the active support of the governors. Too strong a role for the governors, however, will threaten support from mayors and some local development officials.

Other state/local officials. We have met with several other groups representing either general purpose local governments or local functional officials:

- National Association of Towns and Townships (NATAT) - opposed, instinctively wary of HUD;
- Council for Urban Economic Development (CUED) - President supports; Council support can probably be gotten;
- International City Management Association - supportive;
- National Association of Housing and Redevelopment Officials (NAHRO) - strongly supportive;
- National Association of Development Organizations (NADO) - although a prime constituency of EDA, they will support DDA, so long as a continuing role is assured for local development organizations;
- National Conference of State Legislatures - supportive;

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- ° National Association of Counties - Hillenbrand (Executive Director) has indicated support.

Housing interests. In addition to NAHRO (described above), we have met with the following housing interests:

- ° National Association of Homebuilders - supportive if "Housing" is preserved in name of new department and status of housing is maintained within the new entity;
- ° National Housing Conference - President is supportive; we expect to get the Conference endorsement, as long as we preserve the status of housing in DDA;
- ° Mortgage Bankers of America - supportive;
- ° National Association of Realtors - supportive.

In general, housing interests see close relationships among housing, ED and CD. Making more effective use of federal ED programs by linking them more closely to housing and CD programs is attractive. So long as we do not downgrade the status of housing in the new department, we can expect the support of the housing community.

Minority leaders. Minority interests will be concerned primarily that structural change does not undermine the Federal commitment to cities currently embodied in HUD. Individuals like Maynard Jackson, Coleman Young, Richard Hatcher, Vernon Jordan and Carl Holman prefer the DDA concept. Carl Holman has predicted that both the Urban Coalition and the "urban coalition" would actively oppose any diminution of HUD via placement of UDAG or the Development Bank in Commerce.

USDA partisans. The proposed transfer of programs from Farmers Home has triggered aggressive opposition from traditional supporters of the USDA. Groups like the Grange, National Farmers Union, American Farm Bureau Federation, and the National Rural Electric Cooperative Association, have signaled opposition. Such opposition should be expected to movement of FmHA programs anywhere outside of USDA. Strong farm bloc opposition might create the opportunity for Republican partisan exploitation of the proposal. Our most optimistic prospect would be limited to attracting the rural development advocates, represented by the Rural Coalition, as opposed to the traditional USDA farm bloc. Our initial contacts with some member groups of the Rural Coalition

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have been inconclusive; meanwhile, the posture of the Rural Coalition is to oppose any reorganization affecting FmHA until a national rural policy is formulated.

Business interests. Preliminary soundings with the National Federation of Independent Business and Chamber of Commerce indicate we can expect some support for DDA from the business community. We believe local business interests can be attracted by DDA's more effective focusing of Federal CD and ED resources to stimulate local economic growth and development.

DDA without the Development Bank. We have only limited evidence of political reaction to a DDA proposal that does not include the Development Bank and similar direct business assistance programs from FmHA and EDA.

Traditional urban coalition types like Nick Carbone (Hartford), Vernon Jordan and Maynard Jackson disagree with the public/private sector split. Vernon Jordan predicted that the Black Leadership Forum would oppose placement of the Bank in Commerce. Governor Hunt, a leading rural development spokesperson, also prefers to combine public and private sector development assistance. Since the public/private split option results in splitting FmHA three ways, we would anticipate the rural interest groups to like it even less than the more comprehensive DDA proposal. The AFL-CIO would be wary at best of placing the Development Bank in Commerce.

The Council for Urban Economic Development, National Conference of State Legislatures and National Association of Housing and Redevelopment Officials also oppose the private/public split. These groups continue to support the more comprehensive DDA. They argue that the "split" goes in the opposite direction of the "partnership" theme stressed in the President's urban policy statements. Vernon Martin of the National Association of Development Organizations, who has been cautiously supportive of DDA, has indicated opposition to the public/private split idea on similar grounds.

On the other hand, business interests like the Chamber of Commerce and American Bankers Association, neither of which wants a Development Bank, would clearly prefer any Bank that is created to be located in Commerce. Mayor McNichols (Denver, President of USCM), John Gunther (Executive Director, USCM), and Governor Carroll all speculate that the public/private sector split would be more appealing to business interests, and not that critical to their own colleagues.

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In short, the interest group picture, while largely negative from the standpoint of Administration supporters, is fuzzy overall on this option. We recommend further consultation if you wish to pursue this option.

Attachments

accountable, locally responsive, and consistent achievement of the important goals of the Forest and Rangeland Renewable Resources Planning Act (RPA). The RPA will provide the legislative keystone of the new Department's mission to assess the Nation's renewable resource needs and potential, and to act on these assessments in an environmentally responsible manner.

Very shortly, my Administration will recommend to the Congress an enduring designation of specific tracts of public land to be preserved as wilderness, and a larger portion to be opened for economic development. Among the first priority tasks that I shall assign to the new Department of Natural Resources will be to carry out a thorough review of management practices, applicable statutes, and appropriate investment levels on lands to be opened for development. I shall request appropriate recommendations to assure that these lands provide all of the public benefits of which they are capable, to meet our needs and those of future generations.

Our Nation's renewable natural resources must be nurtured, developed and managed to serve a range of important and compatible goals. I ask conservationists, recreationists, and the users and producers of forest products to join with us in shaping a new Department dedicated to the wise stewardship of our natural resources to meet these goals.

EXHIBIT II

Consultations with Mayors

While we have explored all reorganization options with the mayors, "support" as used below indicated substantive preference for the DDA concept. None of these mayors would demand reorganization as a high Presidential priority. If you decide to go ahead with DDA, we expect the following reactions:

- *McNichols (Denver, President, USCM) - strongly supports; predicts that a large majority of mayors will support;
- *Carver (Peoria, VP, USCM) - supports, assuming we will deliver on associated procedural reforms;
- *Hatcher (Gary, Chair of Black Democratic Mayors) - prefers status quo, but will support DDA if President proposes it;
- *Goldschmidt (Portland, Chair of USCM's Community and Economic Development Committee) - supports;
- *Jackson (Atlanta, Vice Chair of Democratic Mayors) - supports, but warns that restructuring of HUD must not signal any lessening of Administration's urban commitment;
- *Young (Detroit) - supports;
- *Maier (Milwaukee) strongly supports;
- *Gibson (Newark) - doesn't care one way or the other;
- *Latting (Oklahoma City) - reluctant to alter EDA, will study the issue further;
- *Murphy (Tucson) - noncommittal, would find the proposal appealing only if it means "less government" and more efficient service delivery;
- Bilandic (Chicago) - doesn't care one way or the other;
- Moody (Columbus, immediate past President of League of Cities) - supports;
- Rousakis (Savannah, President of League of Cities) - strongly supports;
- McConn (Houston) - strongly supports;
- Parmer (Fort Worth) - strongly opposed to building on HUD and claims that other sunbelt mayors feel the same.

EXHIBIT I

DRAFT PRESIDENTIAL STATEMENT ON FOREST RESOURCES

Under my proposal, the Forest Service, now located in the Department of Agriculture, would be moved to the new Department of Natural Resources and would absorb the Bureau of Land Management. The Forest Service will play an expanded role, based on its exemplary professional leadership and expertise, as a centerpiece of the new Department. This reorganization will place the Forest Service in a setting where balanced, comprehensive resource decisions will support its central mission of increasing and ensuring the productivity of the Nation's forest lands, public and private, on an environmentally sound basis.

I believe strongly that in the context of a Department of Natural Resources dedicated to balanced, multiple use of forest and other resources, the Forest Service can provide enhanced public benefits in the form of more jobs and wood products, government revenue, and recreation opportunities. Environmentally prudent management that strives for increased productivity of both public and private forest lands can contribute substantially to the fight against inflation and expansion of our foreign trade. Integration of the Forest Service and the Bureau of Land Management will lead to more

SURVEY OF 24 MAYORS ON REORGANIZATION ISSUESDescription of Option:

- Option One: DDA
- Option Two: Commerce, including UDAG
- Option Three: Commerce, excluding UDAG

Comments of Mayors:

REARDON, JOHN
KANSAS CITY, KANSAS

- Option One: It would be a dire mistake to put EDA in HUD. EDA is business-oriented and leverages private sector very well. EDA needs to be separate to do this.
- Option Two: Since he wants to keep EDA pure, he prefers not to have HUD programs in Commerce.
- Option Three: Favors keeping the two agencies separate. He has had excellent results with the HUD regional and area directors and with the EDA regional director. He says they work together beautifully now and he prefers to leave it that way.
- General: The President is right to stress coordination. Regional directors are very important; need good people in those jobs. He will not make any public negative statements whatever the President decides.

RILEY, JOSEPH
CHARLESTON, SOUTH CAROLINA

- Option One: This would be a disaster politically. The public would view such an agency as another HEW, too big, too awesome. It would also create "Hell" on the Hill. Who cares if it looks good on paper?
- Option Two: He is against removing UDAG from HUD. He thinks Embry and Harris are doing a good job of making HUD work better. He thinks UDAG and CDBG need to be synchronized and does not want to split them. This option would appear to be anti-urban to the cities and the Hill.

Option Three: Yes. Keep UDAG in HUD. It is good to get more urban tools in EDA, such as FmHA, which he views as too anti-urban.

General: He agrees that the key problem facing cities today is economic development, but he does not see that creating a big department would help solve the problem. He likes the idea of separate partners, as we have now.

HUTCHINSON, JOHN
CHARLESTON, WEST VIRGINIA

Option One: No. Do not create one giant bureaucracy, especially if it is based on HUD's structure.

Option Two: He is not sure that EDA would be as effective if it had to deal with HUD programs.

Option Three: He prefers to keep the programs separate. He thinks the competition is healthy and gets good results.

General: UDAG is an excellent program, but it is an exception in HUD. He never said he favored Option Three, but he definitely does not favor One or Two because they would mix the EDA and HUD programs.

McNICHOLS, WILLIAM
DENVER, COLORADO

Option One: No Comment.

Option Two: No Comment.

Option Three: He favors keeping UDAG in HUD, particularly since he believes that it would be politically impossible to get it out before 1980 anyway. He thinks this option is a good idea.

HOLLAND, ART
TRENTON, NEW JERSEY

Option One: He favors putting all of the urban development tools together in HUD because HUD was created to deal with urban problems.

Option Two: No. He thinks this option would be worse than doing nothing. He does not think that urban problems should be shifted to Commerce, which has business as its main business.

Option Three: No. Any movement should be toward HUD and to strengthen its ability to deal with urban problems.

General: Mayor Holland was a consultant to HUD when it was created and has the view that it alone is the department that should be dealing with urban problems.

He thinks UDAG is the best HUD program.

He thinks the President must reassure the mayors of his commitment to cities.

GIBSON, KEN
NEWARD, NEW JERSEY

Option One: No comment.

Option Two: No comment.

Option Three: No comment.

General: The location really doesn't mean that much, its how the programs are delivered that is important. Programs like CETA and Countercyclical are much more important than reorganization. The Administration should be focusing their efforts on these legislative fights.

YOUNG, COLEMAN
DETROIT, MICHIGAN

- Option One: Of the three, he would favor this option. Although Commerce and EDA have improved greatly in this Administration, he still feels HUD is more sensitive to the problems of the cities. HUD has shown the ability to respond. UDAG is very impressive.
- Option Two: He opposes this option. He's nervous about expanding Commerce because of its historic relationship with business and rural interests.
- Option Three: If there is to be reorganization, prefers option one.
- General: Thinks the competition between EDA and HUD produces better service for the cities of this country. He feels both HUD and EDA are working well now. In the past, he has always supported keeping EDA and HUD separate.

McCONN, JIM
HOUSTON, TEXAS

- Option One: Favors consolidation and combination. He thinks the present competition between EDA and HUD is not good.
- Option Two: He does not like this option because it continues the separation and competition which he thinks is unproductive.
- Option Three: This option is a non-option to him. It would not accomplish enough to make it worth trying.
- General: He favors Option One because he thinks it would eventually give him more flexibility to use a big package of federal funds the way he wants to.
- He prefers above any reorganization option to fight inflation and reduce budget needs of cities that way. He thinks the President's stock would rise if he held firm on budget cuts. He thought the President's message in St. Louis was good and was accepted by most of the mayors.

RUSK, DAVID
ALBUQUERQUE, NEW MEXICO

- Option One: He does not favor expanding the HUD aura and character to other programs.
- Option Two: He has a good relationship with EDA, much better than with HUD.
- Option Three: No specific comment.
- General: He does not care about the structure of programs. His own experience is that EDA works well. He said there is nothing magic about structure.

LATTING, PATIENCE
OKLAHOMA CITY, OKLAHOMA

- Option One: No. Do not mix HUD and EDA.
- Option Two: Favors upgrading EDA to work more with cities, but does not favor splitting up HUD.
- Option Three: Favors this option.
- General: She has good experience with HUD and EDA, and thinks they work better separately.

VANN, DAVID
BIRMINGHAM, ALABAMA

- Option One: His reservation about this type of reorganization is that the political problems would hurt the programs.
- Option Two: No strong feelings.
- Option Three: Favors this option. He wants to keep EDA and UDAG separate. This option is the "constructive approach" to reorganization.
- General: He recommends that the President concentrate on fighting inflation instead of getting into big political battles about reorganization, recognizing that some battles will be unavoidable.

LOGUE, FRANK
NEW HAVEN, CONNECTICUT

Option One: Yes

Option Two: Okay

Option Three: Doesn't care if UDAG is moved.

General: Likes one department and thinks one-step shopping is crucial. But real question is getting along with people running things. He feels the Bank is important.

CARVER, RICHARD
PEORIA, ILLINOIS

Option One: Yes

Option Two: No

Option Three: No

General: Has discussed at great length with Pettigrew. Favors big new department but only if there is real change in the process, paperwork, etc. If there is no real change in the way government does business, it is not worth the political capital.

MOODY, TOM
COLUMBUS, OHIO

Option One: Yes, if it is not a political war.

Option Two: Doesn't make much difference to him.

Option Three: Doesn't make much difference to him.

General: Has discussed at great length with Pettigrew. In general, the concept is okay but political side is not worth the effort. The President needs to focus on inflation, etc. This type of fight is too debilitating. It is not the right time.

BILANDIC, MICHAEL
CHICAGO, ILLINOIS

General: President is chief executive officer. He can't make judgement from 1,000 miles away. Whatever President wants is okay with him.

CALIGUIRI, RICHARD
PITTSBURGH, PENNSYLVANIA

Option One: No. Housing is too important. Consolidation would hurt housing funding.

Option Two: Yes

Option Three: Yes

General: Keep housing separate. It is too important to lump with other programs.

BARRY, MARION
DISTRICT OF COLUMBIA

Option One: No, too disruptive.

Option Two: No real opinion.

Option Three: No real opinion.

General: Cities are just beginning to achieve something. This sort of change takes years to sort out and is not worth hurting cities.

ALEXANDER, LEE
SYRACUSE, NEW YORK

Option One: No, politically.

Option Two: No real opinion.

Option Three: No real opinion.

General: Theoretically a big department is good. But it will cause political disruption and therefore is not worth it.